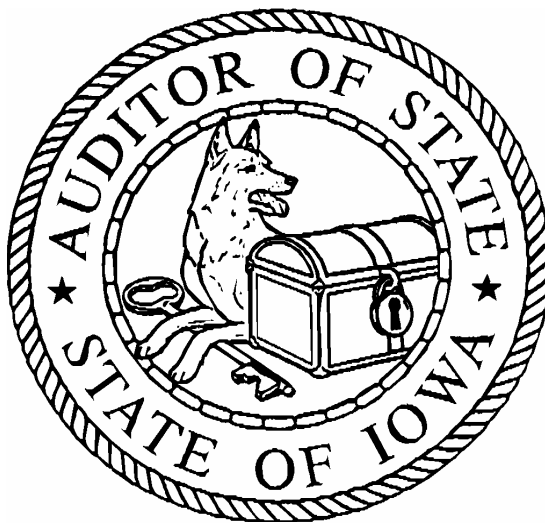


# **HOSPITAL**

# **AUDIT PROGRAM GUIDE**

For the year ended June 30, 2004



DAVID A. VAUDT, CPA  
AUDITOR OF STATE

**HOSPITAL AUDIT PROGRAM GUIDE****HOSPITAL** \_\_\_\_\_**June 30, 2004****FILE INDEX**

<u>N/A</u>	<u>Incl.</u>	
_____	_____	GF-1 Audit Planning
_____	_____	GF-2 Planning Conferences
_____	_____	GF-3 Internal Control
_____	_____	GF-4 Review of Minutes
_____	_____	GF-5 Copy of Hospital's June 30 Financial Statements/Reports
_____	_____	GF-6 Planning Materiality and Audit Risk
_____	_____	GF-7 Analytical Procedures
_____	_____	GF-8 Time Budget and Progress Reports
_____	_____	GF-9 Audit Program
_____	_____	GF-10 Audit and Accounting Problems
_____	_____	GF-11 Conferences (including exit)
_____	_____	GF-12 Items for Comment
_____	_____	GF-13 Items for Next Year
_____	_____	GF-14 Representation Letter/Related Parties Documentation
_____	_____	GF-15 Attorney's Letter
_____	_____	GF-16 Audit Difference Evaluation
_____	_____	GF-17 Opinion, Disclosure and Other Report Information, Including Draft Management Discussion and Analysis
_____	_____	GF-18 Confirmation Control
_____	_____	GF-19 W/P Copies Given to Client and Outside Parties
_____	_____	GF-20 Pending Matters
_____	_____	GF-21 Review Notes - deleted by _____ Date_____
_____	_____	GF-22 Incharge Review Questionnaire
_____	_____	GF-23 Manager Review Questionnaire
_____	_____	GF-24 Independent Reviewer Questionnaire

**HOSPITAL AUDIT PROGRAM GUIDE**

**HOSPITAL** \_\_\_\_\_

**June 30, 2004**

**FILE INDEX**

\_\_\_\_\_

\_\_\_\_\_ GF-25 Prior Year Audit Report/Status of Prior Year Comments

## AUDIT PLANNING

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<b>Audit Objectives:</b> A. Plan and document planning of audit. B. Determine preliminary planning materiality. C. Consider the effect on financial statements of non-compliance with laws and regulations. D. Determine audit approach.					
<b>Audit Procedures:</b>  A. Job number _____  B. Assigned staff: Manager _____ Independent? _____ Incharge _____ Staff _____ _____ _____ _____ _____ _____	A				
C. Timing:  <div style="margin-left: 100px;">             Planned Date                  Actual Date              _____                  _____           </div> Begin fieldwork                  _____ Complete fieldwork                  _____ To manager                  _____	A				
D. If prior year audit was performed by another firm: 1. Obtain copy of the auditor's reports on the financial statements, compliance and internal control. 2. Obtain copies of appropriate workpapers. 3. Make the appropriate inquiries of the predecessor auditor addressed in SAS No. 84. 4. Firm Name: _____ Contact Person: _____ Telephone: _____	A				
E. Review prior year audit report and working papers. If applicable: 1. Note any departures from an unqualified opinion. 2. Note any specific areas of comment in the prior audit report. Determine if appropriate corrective action was taken and document status. 3. Note any areas of special emphasis recommended for this year's audit by the prior auditor. 4. Note items for next year's audit in prior year's workpapers. Document in planning section.	A, D				

**HOSPITAL** \_\_\_\_\_**June 30, 2004****AUDIT PLANNING**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
5. Note any non-report comments that may effect this year's audit and document the status of these.					
F. Review permanent file and determine status of:	A,D				
1. Identification of the financial reporting entity and compliance with GASB 14, as amended by GASB 39.					
a. Identify the primary government.					
b. Identify and document consideration of component units.					
c. Identify and document relationships with organizations other than component units.					
2. Nature of business and legal environment.					
3. Applicable state and federal regulations.					
4. Administrative and accounting personnel.					
5. As applicable, federal program personnel.					
6. Organization chart.					
7. Chart of accounts and accounting manual.					
8. Use of outside service organizations.					
9. Use(s) of IS systems.					
10. Methods used to process significant accounting information.					
11. Long-term leases, contracts and commitments.					
12. List of officials, terms and mailing addresses.					
G. Conduct entrance conference(s). Discuss and document pertinent information.	A				
H. Request that the Hospital assemble all necessary information, records and documents.	A,D				
I. Determine the extent of involvement, if any, of other independent audit firms (i.e., for audits of material component units, audits conducted as a joint audit, or other reliance on external auditors), consultants, specialists or internal auditors. Where applicable, follow the guidance in AU 543 ("Part of Audit Performed by Other Independent Auditors"), AU 322 ("Auditor's Consideration of the Internal Audit Function") AU 336 ("Using Work of Specialist" - as revised by SAS 73) and <u>Government Auditing Standards</u> Chapter 3.06.					
J. Inquire about related party transactions.					
K. Minutes:	A,D				

**HOSPITAL** \_\_\_\_\_**June 30, 2004****AUDIT PLANNING**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<ol style="list-style-type: none"> <li>1. Review minutes through the most recent meeting and document significant Board or Commission action, including subsequent events.</li> <li>2. Determine that minutes were kept in accordance with Chapter 21.3 of the Code of Iowa.</li> <li>3. Determine, on a test basis, if minutes were preceded by proper public notice in accordance with Chapter 21.4 of the Code of Iowa.</li> <li>4. Determine the minutes show information sufficient to indicate the vote of each member present as required by Chapter 21.3 of the Code of Iowa.</li> <li>5. Determine if the minutes document that the Board or Commission followed the proper procedures for any closed sessions. (Chapter 21.5 of the Code of Iowa) <ol style="list-style-type: none"> <li>a. The session was closed by affirmative vote of at least two-thirds of the Board or Commission members.</li> <li>b. The specific exemption under Chapter 21.5 of the Code of Iowa was identified.</li> <li>c. Final action was taken in open session.</li> </ol> </li> <li>6. If applicable, determine that receipts and/or disbursements were published as required by Chapter 392.6 or 347.13(14) of the Code of Iowa.</li> <li>7. Look for Board approval or mention of contracts or agreements having 28E characteristics. Then refer to 28E subsection in "Audit Planning" section of audit program.</li> </ol> <p>L. Obtain copy of Hospital's June 30 financial statement(s)/ reports.</p> <p>M. 28E Organizations</p> <ol style="list-style-type: none"> <li>1. Determine if the Hospital was a member of a Chapter 28E organization with gross receipts in excess of \$100,000 in the fiscal year.</li> <li>2. If so, determine if arrangements have been made for an audit of the 28E organization in accordance with Chapter 11.6 of the Code of Iowa.</li> </ol> <p>N. Determine and document judgments as follows:</p> <ol style="list-style-type: none"> <li>a. Audit risk for all account balances and transaction classes. (AU 312.13)</li> <li>b. Materiality levels by opinion units. If done at interim, update materiality levels as of the balance sheet date: <ol style="list-style-type: none"> <li>(1) By each major fund</li> </ol> </li> </ol>	A A,D				

**HOSPITAL** \_\_\_\_\_**June 30, 2004****AUDIT PLANNING**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<ul style="list-style-type: none"> <li>(2) By type of activity, governmental or business type</li> <li>(3) Aggregate remaining fund information</li> <li>(4) Discretely presented component units</li> <li>c. Materiality level for each major Federal program. If done at interim, update materiality levels as of the balance sheet date.</li> </ul>					
O. Apply preliminary analytical procedures:	A,D				
<ul style="list-style-type: none"> <li>1. Compare current information to information with a plausible relationship.</li> <li>2. Identify expectations and document basis of expectations.</li> <li>3. Identify unusual or unexpected balances or relationships.</li> <li>4. Determine if matters identified indicate a higher risk of material misstatement. If a higher risk is indicated, adjust audit approach accordingly.</li> </ul>					
P. Prepare all necessary confirmation requests for mailing and send attorney's letter.					
Q. Determine and document an audit strategy (primarily substantive or a lowered assessed control risk).	A,D				
R. Internal Control	A,B,D, E				
<ul style="list-style-type: none"> <li>1. Obtain and document an understanding of the internal controls, including those relating to overall compliance with laws and regulations. <ul style="list-style-type: none"> <li>a. Determine and document whether these internal controls have been placed in operation.</li> <li>b. Assess control risk for financial statement assertions, including those relating to overall compliance with laws and regulations that have a direct and material effect on the financial statements. <ul style="list-style-type: none"> <li>1) Identify those financial statement assertions for which tests of controls need to be performed and design the appropriate tests of controls.</li> <li>2) Document conclusions in workpapers concerning the assessed level of control risk for the assertions.</li> </ul> </li> <li>c. Document the following when control risk is assessed at maximum: <ul style="list-style-type: none"> <li>1) Determine that performing only substantive tests will reduce detection risk to an acceptable level when evidence of the initiation, recording or</li> </ul> </li> </ul> </li> </ul>					

**HOSPITAL** \_\_\_\_\_**June 30, 2004****AUDIT PLANNING**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<p>processing of financial data exists only in electronic form. (AU 319.04)</p> <p>2) Document the accuracy and completeness of the information used to perform substantive tests when the information is produced by the Hospital's information system. (AU 319.65)</p> <p>d. Obtain and document an understanding of any department's separately maintained records if they are of a significant amount and outside the normal transaction cycle.</p> <p>e. If the Hospital uses a service organization or an organization that is part of the Hospital's information system to process transactions (i.e. payroll processing, bank trust department that invests and hold assets for employee benefit plans, organizations that develop, provide and maintain software for user organizations, etc.), follow AU Section 324 (SAS 70 and SAS 88) to consider and document the effect the service organization has on the internal control of the Hospital (user organization), related control risk assessments, and the availability of evidence to perform substantive procedures.</p> <p>2. Major federal programs:</p> <p>a. Obtain and document an understanding of the internal control relevant to the common requirements applicable to all major federal programs.</p> <p>b. Determine and document whether these controls have been placed in operation.</p> <p>c. Assess control risk. (The auditor should plan for a low level of control risk.)</p> <p>d. Perform tests of controls over each major program (regardless of whether or not choosing to obtain evidence to support an assessment of control risk below maximum).</p> <p>e. Include lack of or ineffective control procedures as reportable conditions in the report on the internal control.</p> <p>3. If steps S(1) and (2) are done at interim, determine if tests of controls and assessments of control risk can be extended to the balance sheet date:</p> <p>a. Apply the following procedures for internal control work done during interim:</p> <p>1) Ask whether there have been any changes to internal control, including federal controls, since</p>					



**HOSPITAL** \_\_\_\_\_**June 30, 2004****AUDIT PLANNING**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<p>interim date. Consider also whether any changes are apparent from substantive (or other) tests done after interim date.</p> <p>2) Consider the significance of any changes.</p> <p>3) Obtain evidential matter about the nature and extent of any changes.</p> <p>b. If considered necessary based on the above procedures, perform additional tests of controls and update risk assessments.</p> <p>S. Determine the major funds for the governmental and proprietary funds. Funds are considered major funds if they meet both the criteria for the same element. (GASB 34 par. 76)</p> <p>1. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or proprietary funds are at least 10 percent of the corresponding total for all funds of that category or type.</p> <p>2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or proprietary funds are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.</p> <p>3. Review with management whether additional discretionary funds should be included as major funds.</p> <p>T. If computer was used by the Hospital to process significant accounting applications, determine and document the methodology to be used in obtaining evidence. (i.e., manual audit procedures, computer-assisted techniques, or a combination of both) (AU 326.12)</p> <p>U. Identify and obtain understanding of possible financial statement effects of pertinent laws and regulations which could, if not observed, have a direct and material effect on the financial statements. (AU 801.08)</p> <p>V. Determine if the Hospital has entered into a Corporate Integrity Agreement(CIA) with the Office of Inspector General of the U.S. Department of Health and Human Services in accordance with SOP 99-1. Review agreement and annual report of compliance. Modify/expand audit program guide, as necessary, for weaknesses noted in the reports.</p> <p>W. Modify/expand audit program guide, as necessary. The program should be responsive to the critical audit areas and other areas of concern noted in the audit planning, the analytical procedures performed on the financial statements, and the understanding obtained of internal control.</p>					
	A,D				

**HOSPITAL** \_\_\_\_\_**June 30, 2004****AUDIT PLANNING**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<p>X. Evaluate and document any nonaudit service to determine that <u>Government Auditing Standards</u> paragraph 3.13 in regard to independence will not be impaired. If the nonaudit service involves a total of 40 hours or fewer, then the de minimum rule applies and independence will not be impaired. Discuss with Manager, if necessary.</p> <p>Y. Immediately contact Manager if fraud or embezzlement is suspected and ensure the appropriate officials are notified. Chapter 11.6 of the Code of Iowa requires a CPA firm to notify the Auditor of State immediately regarding any suspected embezzlement or fraud. If federal funds are involved, the appropriate U.S. Regional Inspector General should be notified.</p> <p>Z. Prepare audit time budget.</p> <p>AA. Discuss planning phase with Manager and document conclusions.</p>	A				
<b><u>ALTERNATE/ADDITIONAL PROCEDURES:</u></b>					
<b><u>CONCLUSION:</u></b>					
We have performed procedures sufficient to achieve the audit objectives for audit planning, and the results of these procedures are adequately documented in the accompanying workpapers.					

## AUDIT PLANNING

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<div> <div>Incharge _____</div> <div>Manager _____</div> <div>Independent Reviewer _____</div> </div> <div> <div>Date _____</div> <div>Date _____</div> <div>Date _____</div> </div>					

**HOSPITAL** \_\_\_\_\_**June 30, 2004****PRELIMINARY AUDIT STRATEGY**

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The attached preliminary audit strategy is to be used to document the following:

- Auditor's understanding of certain preliminary information regarding the entity for planning the audit.
- Identification of significant account balances and classes of transactions.
- Determination of inherent risk and preliminary audit strategy for significant account balances and classes of transactions.
- Identification of the federal programs.
- Applicability of account balances and classes of transactions to federal programs.
- Auditor's fraud risk assessment including identification of fraud risk factors.
- Determination of the Common requirements applicable to major federal programs.

**HOSPITAL** \_\_\_\_\_**June 30, 2004****PRELIMINARY AUDIT STRATEGY**

	<b>YES</b>	<b>NO</b>	<b>REMARKS</b>
1. Did the prior year report on the financial statements include departures from an unqualified opinion?			
2. Did the prior year audit identify any reportable conditions or material weaknesses?			
3. Have various account balances or transactions required significant adjustments in prior audits?			
4. Was the approach in the prior year primarily substantive?			
5. Were any significant errors or instances of fraud noted in the prior audit?			
6. Is there any indication there could be substantial doubt about the Hospital's ability to continue as a going concern?			
7. Does the audit require special expertise?			
8. Are specialized skills needed to determine the effect of IS on the audit, to understand the IS controls, or to design tests of controls?			
9. Are there any new accounting and/or auditing pronouncements that may affect the current audit?			
10. Are there any specialized accounting practices or principles applicable to the Hospital? (i.e. pensions)			
11. Have there been any significant changes in accounting practices for the Hospital?			
12. Are there any economic conditions or recent developments that affected the Hospital's operations? (inflation, interest rates, technological changes)			
13. Are there any special regulatory or reporting requirements that apply? (Single Audit)			
14. Is the Hospital economically dependent on a major industry or company such that a change in the industry or company, would adversely effect the entity?			
15. Has there been a change in funding including federal funds that would significantly impact the operations of the Hospital?			
16. Is any aspect of the Hospital profit motivated?			
17. Have there been any significant changes in the function or responsibilities of the Hospital?			
18. Do the financial statements require use of significant accounting estimates or fair value determinations?			
19. Does the Hospital have multiple locations for significant operations?			

**HOSPITAL** \_\_\_\_\_**June 30, 2004****PRELIMINARY AUDIT STRATEGY**

PROCEDURE	DONE BY	REMARKS																														
<p>20. Complete the fraud risk assessment form.</p> <p>21. Document the following on the preliminary audit strategy summary.</p> <p>a. Identify significant account balances and classes of transactions. Consider preliminary planning materiality as well as qualitative matters such as volume of transactions, susceptibility of assets to theft, etc.</p> <p>b. Assess the inherent risk for each of the significant account balances and classes of transactions identified above and document the results. Consider the factors described in the following diagram to assess inherent risk.</p> <table border="1" data-bbox="337 766 1203 1119"> <thead> <tr> <th>HIGHER</th><th>MODERATE</th><th>LOWER</th></tr> </thead> <tbody> <tr> <td>High transaction activity</td><td></td><td>Limited number of transactions</td></tr> <tr> <td>Large dollar value of each transaction</td><td></td><td>Small dollar value</td></tr> <tr> <td>High fluctuation in timing of activity</td><td></td><td>Stable transaction activity</td></tr> <tr> <td>Complex transaction processing</td><td></td><td>Simple transaction processing</td></tr> <tr> <td>Numerous processing steps</td><td></td><td>Few processing steps</td></tr> <tr> <td>Cannot be reconciled</td><td></td><td>Can be reconciled</td></tr> <tr> <td>Misstatements not self-detecting</td><td></td><td>Self-detecting</td></tr> <tr> <td>Highly susceptible to theft or loss</td><td></td><td>Low susceptibility</td></tr> <tr> <td>High potential for omitted activity</td><td></td><td>Low potential for omitted activity</td></tr> </tbody> </table> <p>c. If Single Audit is applicable, identify the major federal programs using the Single Audit Strategy form.</p> <p>d. Identify the significant account balances and classes of transactions applicable to major federal programs.</p> <p>e. Considering the responses to questions 1-19 above, determination of inherent risk and other relevant information, identify whether the preliminary audit strategy for the significant account balances and transaction classes will be primarily substantive or one based on a lower planned assessed level of control risk.</p> <p>f. Identify the common requirements applicable to each federal program and determine the audit approach for each category.</p> <p>g. Indicate whether test of controls are applicable or comment on whether controls do not exist or cannot be tested.</p> <p>22. Identify other matters considered in determining the preliminary audit strategy.</p> <p>23. Identify any matters that could increase the risk of material misstatement of the financial statements due to errors, fraud and other non-compliance.</p>	HIGHER	MODERATE	LOWER	High transaction activity		Limited number of transactions	Large dollar value of each transaction		Small dollar value	High fluctuation in timing of activity		Stable transaction activity	Complex transaction processing		Simple transaction processing	Numerous processing steps		Few processing steps	Cannot be reconciled		Can be reconciled	Misstatements not self-detecting		Self-detecting	Highly susceptible to theft or loss		Low susceptibility	High potential for omitted activity		Low potential for omitted activity		
HIGHER	MODERATE	LOWER																														
High transaction activity		Limited number of transactions																														
Large dollar value of each transaction		Small dollar value																														
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**HOSPITAL** \_\_\_\_\_**June 30, 2004****PRELIMINARY AUDIT STRATEGY**  
**FRAUD RISK ASSESSMENT****I. BRAINSTORMING CONFERENCE**

Date: \_\_\_\_\_

**Instructions:** Members of the audit team are required to discuss the susceptibility of the government's financial statements to material misstatement due to fraud. The discussion should include an open exchange of ideas (brainstorming). The discussion should also emphasize the importance of exercising professional skepticism throughout the audit. The discussion may occur prior to, or in conjunction with, other audit planning procedures, but should take place each year.

If the audit is a Single Audit, completion of this procedure should include consideration of both the audit of the financial statements and the federal awards.

Audit of financial statements Yes\_\_\_\_\_ No\_\_\_\_\_

Single Audit Yes\_\_\_\_\_ No\_\_\_\_\_

Participants:

<b>Name</b>	<b>Title</b>

1. Describe how the discussion occurred (e.g. face-to-face meeting, conference call)

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2. Describe the matters discussed.

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**HOSPITAL** \_\_\_\_\_**June 30, 2004****PRELIMINARY AUDIT STRATEGY**  
**FRAUD RISK ASSESSMENT**

Matters that should be discussed include:

- a. How and where the financial statements might be materially misstated due to fraud.
- b. How management could perpetrate and conceal fraudulent financial reporting.
- c. How the perpetrators could misappropriate government assets.
- d. Known external and internal factors affecting the hospital that might (1) create incentives/pressures to commit fraud, (2) provide the opportunity for fraud to take place, and (3) reveal attitudes or rationalization about why fraud is acceptable behavior.
- e. The nature and risk of management override of controls.
- f. How best to respond to these fraud risks through the design of audit procedures.
- g. The importance of maintaining an appropriate attitude of professional skepticism throughout the audit when considering the risk of material misstatement due to fraud.

The discussion should not be influenced by past favorable experience with the integrity of management.

The discussion should abandon neutrality and presume the possibility of dishonesty at various levels of management.

The discussion should focus on the financial statement areas vulnerable to fraud presuming that management, employees, or volunteers were inclined to perpetrate fraud.

3. Did information arise during the brainstorming meeting that may be relevant to identifying risks of material misstatement due to fraud?

\_\_\_\_\_ Yes (Document on Part IV)

\_\_\_\_\_ No

Comments:

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**HOSPITAL** \_\_\_\_\_**June 30, 2004****PRELIMINARY AUDIT STRATEGY**  
**FRAUD RISK ASSESSMENT****II. INQUIRIES ABOUT THE RISKS OF FRAUD**

**Instructions:** Auditors are required to make inquiries of management and others about the risks of fraud. Inquiries should be made each year in the planning stage of the audit. This form can be used to document the auditor's inquiries of management and other employees. Conducting one-on-one interviews with members of management and other employees is the most appropriate way of accomplishing the objectives of the inquiry process. Management interviewed should include, at a minimum, all those who sign the management representation letter.

If the audit is a Single Audit, completion of this procedure should include consideration of both the audit of the financial statements and the federal awards. Alternatively, the auditor may wish to complete separate forms.

(A separate form should be used for each person interviewed)

**A. Management Personnel Interviewed:**

Name	Title	Date
_____	_____	_____
_____	_____	_____
_____	_____	_____

1. Inquire of the hospital's management about whether it is aware of (1) actual or suspected fraud, or (2) any allegations of fraud (e.g., communications from employees or others). Describe.

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

2. Inquire of the hospital's management about its understanding of the risks of fraud within the government, including any specific risks identified or account balances or transaction classes where fraud is likely to occur. Describe.

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

3. Inquire of the hospital's management about the programs and controls that it has established to mitigate fraud risks and how it monitors such programs and controls. Describe.

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**HOSPITAL** \_\_\_\_\_**June 30, 2004****PRELIMINARY AUDIT STRATEGY**  
**FRAUD RISK ASSESSMENT**

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4. Inquire of the hospital's management about the nature and extent of monitoring of operating locations, where applicable, and whether there are particular units for which a risk of fraud may be more likely to exist. Describe.

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5. Inquire of the hospital's management about whether and how it communicates to employees its views on business practices and ethical behavior. Describe.

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6. Inquire of the hospital's management about whether it has reported to the audit committee, or its equivalent, on how the government's internal control monitors the risks of material fraud. Describe.

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7. Inquire of the hospital's management about their compliance with laws and regulations. Describe.

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8. Did information arise from inquiries of management that should be considered further in identifying risks of material misstatement due to fraud?

\_\_\_ Yes (Document on Part IV)

\_\_\_ No

Comments:

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**HOSPITAL** \_\_\_\_\_**June 30, 2004****PRELIMINARY AUDIT STRATEGY**  
**FRAUD RISK ASSESSMENT****B. Others Interviewed:**

Name	Title	Date
_____	_____	_____
_____	_____	_____
_____	_____	_____

1. Inquire of others within the hospital (e.g., operating personnel not directly involved in the financial reporting process and employees with different levels of authority) about any actual fraud or suspected fraud. Describe.

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

2. Did information arise from inquiries of others that should be considered further in identifying risks of material misstatement due to fraud?

\_\_\_\_\_ Yes (Document on Part IV)

\_\_\_\_\_ No

Comments:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**HOSPITAL** \_\_\_\_\_**June 30, 2004****PRELIMINARY AUDIT STRATEGY**  
**FRAUD RISK ASSESSMENT**

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**C. Others Interviewed:**

Name	Title	Date
_____	_____	_____
_____	_____	_____
_____	_____	_____

1. Inquire of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. Describe.

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2. Did information arise from inquiries of others that should be considered further in identifying risks of material misstatement due to fraud?

\_\_\_\_\_ Yes (Document on Part IV)

\_\_\_\_\_ No

Comments:

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**HOSPITAL** \_\_\_\_\_**June 30, 2004****PRELIMINARY AUDIT STRATEGY**  
**FRAUD RISK ASSESSMENT****D. Audit Committee or Equivalent Personnel Interviewed:**

Name	Title	Date
_____	_____	_____
_____	_____	_____

1. Where applicable, inquire of the audit committee or its equivalent, or at least its chair, about (1) its views about the risks of fraud, (2) whether it has knowledge of any actual fraud or suspected fraud, and (3) how it exercises its oversight of the hospital's assessment of risks of fraud and the programs and controls the hospital has adopted to mitigate those risks. Describe.

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

2. Did information arise from inquiries of audit committee or equivalent personnel that should be considered further in identifying risks of material misstatement due to fraud?

\_\_\_\_\_ Yes (Document on Part IV)

\_\_\_\_\_ No

Comments:

\_\_\_\_\_

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**HOSPITAL** \_\_\_\_\_**June 30, 2004****PRELIMINARY AUDIT STRATEGY**  
**FRAUD RISK ASSESSMENT****E. Internal Audit Personnel Interviewed:**

Name	Title	Date
_____	_____	_____
_____	_____	_____

- Where applicable, inquire of internal audit personnel about: (1) their views of the risks of fraud, (2) any procedures they performed to identify or detect fraud during the period under audit, (3) management's response to the findings, and (4) whether they have knowledge of any actual fraud or suspected fraud. Describe.

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\_\_\_\_\_

- Did information arise from inquiries of internal audit personnel that should be considered further in identifying risks of material misstatement due to fraud?

\_\_\_\_\_ Yes (Document on Part IV)

\_\_\_\_\_ No

Comments:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**HOSPITAL** \_\_\_\_\_**June 30, 2004****PRELIMINARY AUDIT STRATEGY  
FRAUD RISK ASSESSMENT**

Question	YES	NO	N/A	REMARKS
<b>III. FRAUD RISK ASSESSMENT</b>				
<p><b>Instructions:</b> Complete the following questions to document your consideration of risk factors that might indicate an increased risk of material misstatement due to fraud. "Yes" answers do not necessarily indicate an increased risk, but should be considered when assessing the risk of <u>material</u> misstatement due to fraud. If fraud risk factors are present, but other controls exist that compensate for that risk, document the mitigating factors in the remarks column.</p>				
<p><b><u>RISK FACTORS RELATING TO FRAUDULENT FINANCIAL REPORTING</u></b></p>				
<p>A. Incentives/Pressures</p>				
<p>1. Is there significant pressure on meeting performance targets?</p>				
<p>2. Is a significant portion of management's compensation or performance assessment dependent on budgetary goals, program results, or other incentives?</p>				
<p>3. Do unrealistic performance targets exist?</p>				
<p>4. Were there numerous significant budget modifications in prior periods?</p>				
<p>5. Is there a lack of formal budgeting policies and procedures?</p>				
<p>6. Is the current management unable to make reasonable estimates of tax revenues, expenditures, or cash requirements?</p>				
<p>7. Has the credit rating for the hospital's securities been downgraded by an independent agency since the prior period?</p>				
<p>8. Do individuals outside of management or the governing body have substantial influence over the operations of one or more governmental units?</p>				
<p>9. Has management set unduly aggressive financial targets and expectations for operating personnel?</p>				
<p>10. Is the hospital subject to new accounting, statutory, or regulatory requirements that could impair its operating efficiency or financial stability?</p>				
<p>11. Is the hospital experiencing rapid changes, such as rapid changes in technology or rapid changes in citizen's service expectations?</p>				
<p>12. Is the hospital experiencing a poor or deteriorating financial condition (for example, a declining tax base, declining economy, or other anticipated loss of revenue sources)?</p>				
<p>13. Is the hospital having difficulty generating cash flows from operating activities?</p>				

**HOSPITAL** \_\_\_\_\_**June 30, 2004****PRELIMINARY AUDIT STRATEGY**  
**FRAUD RISK ASSESSMENT**

<b>Question</b>	<b>YES</b>	<b>NO</b>	<b>N/A</b>	<b>REMARKS</b>
14. Has the hospital experienced unusually rapid growth or improved financial results, especially when compared to other governments?				
15. Is the hospital highly vulnerable to changes in interest rates?				
16. Is the government unusually dependent on debt financing?				
17. Do the hospital's financing agreements have debt covenants that are difficult to maintain?				
18. Is the hospital facing the threat of imminent bankruptcy?				
19. Is there significant pressure to obtain additional funding to maintain services?				
20. Is there a high degree of competition for federal or state awards?				
21. Is there declining federal and state program funding levels on a national or regional level?				
22. Is there a declining number of eligible participants, benefit amounts, and/or enrollments in award programs?				
23. Is there complex or frequently changing compliance requirements?				
24. Is there a mix of fixed price and cost reimbursable program types that create incentives to shift costs?				
<b>B. Opportunities</b>				
1. Is management dominated by a single individual or a small group without compensating controls, such as effective oversight by the governing body?				
2. Does the governing body or management lack understanding or experience regarding the operation or responsibilities of the government?				
3. Are internal controls inadequately monitored by management?				
4. Has management continued to employ ineffective accounting or IT (information technology) personnel?				
5. Has there been a high turnover in management level employees, bankers, attorneys, or auditors?				
6. Does the level of communication between accounting managers and data processing or IT departments appear to be inadequate?				
7. Are assets, liabilities, revenues, and expenditures or expenses based on significant estimates that involve unusually subjective judgments or uncertainties or that could significantly change in the near term in a manner that may be financially disruptive?				



**HOSPITAL****June 30, 2004****PRELIMINARY AUDIT STRATEGY  
FRAUD RISK ASSESSMENT**

<b>Question</b>	<b>YES</b>	<b>NO</b>	<b>N/A</b>	<b>REMARKS</b>
8. Does the hospital engage in significant related party transactions not in the ordinary course of business (including transactions with related governments that are unaudited or audited by another firm)?				
9. Does the hospital have unusual or highly complex transactions (particularly those close to year-end) that are difficult to assess for substance over form?				
10. Does the hospital have significant bank accounts in locations for which there does not appear to be a clear business justification?				
11. Does the hospital have an overly complex organizational structure involving numerous component units, subrecipients, related organizations, lines of managerial authority, or contractual arrangements that do not have an apparent purpose?				
12. Does the hospital have significant relationships with other governments that do not appear to have a clear programmatic or business justification?				
C. Attitudes/Rationalizations				
1. Were there numerous significant audit adjustments in prior periods?				
2. Is there an excessive interest by management to meet performance targets through the use of unusually aggressive accounting practices?				
3. Has management failed to effectively communicate and support the government's values or ethics?				
4. Has management failed to effectively communicate about inappropriate business practices or ethics?				
5. Has management failed to correct known reportable conditions in internal control on a timely basis?				
6. Has management displayed a significant disregard for regulatory requirements, including, when applicable, federal and state award compliance requirements?				
7. Does management have a poor reputation?				
8. Does management have a history of violating laws, regulations, debt covenants, contractual obligations, or federal and state award compliance requirements?				
9. Do non-financial management or personnel excessively participate in the determination of significant estimates or selection of accounting principles?				
10. Are there frequent disputes on accounting, auditing, or reporting matters between management and the current or predecessor auditor?				

**HOSPITAL** \_\_\_\_\_**June 30, 2004****PRELIMINARY AUDIT STRATEGY**  
**FRAUD RISK ASSESSMENT**

<b>Question</b>	<b>YES</b>	<b>NO</b>	<b>N/A</b>	<b>REMARKS</b>
11. Has management made unreasonable demands on the auditor, such as unreasonable time constraints on completion of the audit or an excessive emphasis on reducing the audit fee?				
12. Has management placed restrictions on the auditor (formal or informal) that inappropriately limit access to people or information (or inappropriately limit communication with the governing body or audit committee)?				
13. Has management failed to respond to specific inquiries or to volunteer information regarding significant or unusual transactions?				
14. Has there been domineering behavior by management, especially involving attempts to influence the scope of the auditor's work?				
15. Are there other situations indicating a strained relationship between management and the current or predecessor auditor?				
16. Could the hospital face adverse consequences on a significant pending transaction (such as issuance of debt or receipt of a grant) if poor financial results are reported?				
17. Does the hospital have significant investments in high-risk financial investments?				
18. Are there any known personal difficulties or other influences in the lives of management that could adversely affect their integrity, attitude, or performance?				
19. Do other conditions exist that indicate incentives/pressures, opportunities, or attitudes/rationalizations for management to engage in fraudulent financial reporting?				

Do conditions exist that indicate there may be incentives/pressures, opportunities, or attitudes/rationalizations for management to intentionally misstate the financial statements?

\_\_\_ Yes. (Document on Part IV)

\_\_\_ No.

Comments:

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COUNTY \_\_\_\_\_

June 30, 2004

**PRELIMINARY AUDIT STRATEGY  
FRAUD RISK ASSESSMENT**

Question	YES	NO	N/A	REMARKS
<b><u>RISK FACTORS RELATING TO MISAPPROPRIATION OF ASSETS</u></b>				
A. Incentives/Pressures				
1. Are there any indications that management or employees with access to cash or other assets susceptible to theft have personal financial obligations that may create pressure to misappropriate assets?				
2. Are there any conditions that may create adverse relationships between the hospital and employees with access to cash or other assets susceptible to theft, such as the following:				
a. Known or anticipated future employee layoffs?				
b. Recent or anticipated changes to employee compensation or benefit plans?				
c. Promotions, compensation, or other rewards inconsistent with expectations?				
B. Opportunities				
1. Does the hospital maintain or process large amounts of cash?				
2. Is the hospital's inventory easily susceptible to misappropriation (such as small size, high value, or high demand)?				
3. Does the hospital have assets that are easily convertible to cash (such as bearer bonds, etc.)?				
4. Does the hospital have capital assets that are easily susceptible to misappropriation (such as small size, portability, marketability, lack of ownership identification, etc.)?				
5. Is the hospital susceptible to fraudulent, unauthorized disbursements (such as vendor or payroll disbursements) being made in amounts that are material to the financial statements?				
6. Is there a lack of management oversight over assets susceptible to misappropriation?				
7. Does the hospital lack job applicant screening procedures when hiring employees with access to assets susceptible to misappropriation?				
8. Does the hospital have inadequate record keeping over assets susceptible to misappropriation?				
9. Is there a lack of appropriate segregation of duties that is not mitigated by other factors (such as management oversight)?				

COUNTY \_\_\_\_\_

June 30, 2004

**PRELIMINARY AUDIT STRATEGY  
FRAUD RISK ASSESSMENT**

Question	YES	NO	N/A	REMARKS
10. Does the hospital lack an appropriate system for authorizing and approving transactions (for example, in purchasing or payroll disbursements)?				
11. Are there poor physical safeguards over assets susceptible to misappropriation (for example, inventory not stored in a secured area, cash or investments kept in unlocked drawers, etc.)?				
12. Is there a lack of timely and appropriate documentation for transactions affecting assets susceptible to misappropriation?				
13. Is there a lack of mandatory vacations for employees in key control functions?				
14. Does management have an inadequate understanding of information technology which enables information technology employees to perpetrate a misappropriation?				
15. Are access controls over automated records inadequate (including controls over, and review of, computer system event logs)?				
C. Attitudes/Rationalizations				
1. Do employees who have access to assets susceptible to misappropriation show:				
a. Disregard for the need for monitoring or reducing risks related to misappropriation of assets?				
b. Disregard for internal control over misappropriation of assets by overriding existing controls?				
c. Disregard for internal control over misappropriation of assets by failing to correct known internal control deficiencies?				
2. Do employees who have access to assets susceptible to misappropriation exhibit behavior indicating displeasure or dissatisfaction with the government or its treatment of its employees?				
3. Have you observed any unusual or unexplained changes in behavior or lifestyle of employees who have access to assets susceptible to misappropriation?				

**HOSPITAL** \_\_\_\_\_**June 30, 2004****PRELIMINARY AUDIT STRATEGY**  
**FRAUD RISK ASSESSMENT**

Do conditions exist that indicate there may be incentives/pressures, opportunities, or attitudes/rationalizations for management to intentionally misstate the financial statements?

\_\_\_\_ Yes. (Document on Part IV)

\_\_\_\_ No.

Comments:

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List any additional fraud factors or conditions identified as being present. Additional factors may have been identified through inquiry of management in the entrance conference. Also, document any compensating controls.

If improper revenue recognition was not identified as a risk of material misstatement due to fraud, describe the reasons regarding how that presumption was overcome.

HOSPITAL \_\_\_\_\_

**June 30, 2004**

## **PRELIMINARY AUDIT STRATEGY** **FRAUD RISK ASSESSMENT**

#### IV. RESPONSE TO FRAUD RISKS

The way the auditor responds to the results of the fraud risk assessment depends on the nature and significance of the fraud risks identified and on the hospital's programs and controls that address such risks. Auditors respond to the results of the fraud risk assessment in three ways: (1) an overall response as to how the audit is conducted; (2) specific responses involving modification of the nature, timing, and extent of procedures to be performed; and (3) responses to further address the risk of management override of controls.

1. *Overall response* – Describe your overall response to identified fraud risks, including (1) assignment of personnel and supervision, (2) scrutiny of management’s selection and application of significant accounting principles, and (3) including an element of unpredictability in audit procedures and tests.

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2. *Specific responses* – Describe your specific responses to identified fraud risks, including modification of the nature, timing, and extent of audit procedures.

This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There are approximately 20 lines visible. The paper has a slight shadow on the right side, suggesting it's resting on a surface.

**HOSPITAL** \_\_\_\_\_**June 30, 2004****PRELIMINARY AUDIT STRATEGY**  
**FRAUD RISK ASSESSMENT**

3. *Response to address management override of controls* – Because management override of controls can occur in unpredictable ways, the risk of management override of controls is always an identified fraud risk and the auditor is required to perform certain specified procedures to respond to such risk. These procedures relate to (1) examining journal entries and other adjustments, (2) reviewing accounting estimates for biases, and (3) evaluating the business rationale for significant unusual transactions.

See audit program step H on audit program section Trial Balances

See audit program steps T and U on audit program section Completion of Audit

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Incharge: \_\_\_\_\_ Date \_\_\_\_\_

Manager: \_\_\_\_\_ Date \_\_\_\_\_

Independent

Review: \_\_\_\_\_ Date \_\_\_\_\_

**HOSPITAL** \_\_\_\_\_**June 30, 2004****PRELIMINARY AUDIT STRATEGY  
SUMMARY**

<b>ACCOUNT BALANCE/ TRANSACTION CLASS</b>	<b>IR</b>	<b>MAJOR PROGRAMS</b>	<b>AUDIT APPROACH</b>		<b>TEST OF CONTROLS (YES/NO)</b>	<b>REPORTABLE CONDITION (YES/NO)</b>
			<b>PRIMARILY SUBSTANTIVE</b>	<b>LOWER RISK</b>		
Cash						
Investments						
Receivables						
Inventory						
Capital Assets						
Liabilities						
Long-Term Debt						
Property Tax						
Receipts/Revenues						
Disbursements/Expenses						
Payroll						
Transfers						
Financial Reporting						
Other:						

IR/Inherent risk - key

H = higher, M = moderate, L = lower



**HOSPITAL** \_\_\_\_\_**June 30, 2004****PRELIMINARY AUDIT STRATEGY**  
**SINGLE AUDIT**

- 1) Determine Type A vs. Type B programs using the Program Identification form.
- 2) Determine the risk classification of Type A and primary Type B programs using the Risk Assessment form. The auditor is not required to perform a risk assessment of relatively small Type B programs.
- 3) Identify major programs and determine if the percentage of coverage rule has been met using the bottom of the Determination of Major Programs form.

Major programs must account for at least 50% of total federal awards expended unless the entity is low-risk, in which case, only 25% needs to be met.\* The entity is considered low risk if, for each of the prior two years, all of the following conditions have been met:

- A Single Audit is performed on an annual basis.
- Unqualified opinions in the financial statements and Schedule of Expenditures of Federal Awards were issued\*\*
- No material weaknesses in internal control under the requirements of Government Auditing Standards (relating to the financial statements) were noted.\*\*
- No internal control deficiencies identified as material weaknesses were noted for all Type A programs.
- No material non-compliance was noted for all Type A programs.
- There were no known or likely questioned costs exceeding 5% of the program's expenditures for all Type A programs.

\*The auditee may have one or more non low-risk Type A *programs* and still qualify as a low-risk *entity*, as long as all Type A programs meet the criteria listed. However, all non low-risk Type A programs must be audited as major programs even if the 25% rule of coverage is met by only a portion of the non low-risk Type A programs.

\*\*However, a waiver that allows the entity to be identified as low-risk may be provided by the cognizant or oversight agency if they judge that an opinion qualification or any identified material weaknesses does not affect the management of federal awards.

**HOSPITAL** \_\_\_\_\_**June 30, 2004****PRELIMINARY AUDIT STRATEGY**  
**SINGLE AUDIT****PROGRAM IDENTIFICATION**

					<b>Type B</b>	
<b>Federal Program</b>	<b>CFDA #</b>	<b>Federal Awards Expended</b>	<b>% of Total Federal Awards Expended</b>	<b>Type A Program (X)</b>	<b>Primary Program (X)</b>	<b>Relatively Small Program (X)</b>
<b>TOTAL</b>						

Determine the appropriate amounts to be used as program thresholds:

Type A programs equal the \$ \_\_\_\_\_ Primary Type B programs equal \$ \_\_\_\_\_  
 greater of \$300,000 or 3% of x 3% the greater of \$100,000 or .3% x .3%  
 total federal expenditures. \$ \_\_\_\_\_ of total federal expenditures. \$ \_\_\_\_\_

Relatively small Type B programs are less than the greater of \$100,000 or .3% of total federal expenditures.

NOTE: A Single Audit is not required if total federal expenditures are less than \$500,000.

**HOSPITAL** \_\_\_\_\_**June 30, 2004**

**PRELIMINARY AUDIT RISK  
TYPE A AND PRIMARY TYPE B PROGRAM RISK ASSESSMENT**

<b>Program Name:</b>						
<b>CFDA #</b>						
<b>Program Type:</b>	<b>A / B</b>	<b>A / B</b>	<b>A / B</b>	<b>A / B</b>	<b>A / B</b>	<b>A / B</b>
<b>Last FY Reviewed **</b>						

**Current and Prior Experience:**

Program was audited as a major program in one of the last two years. (1)

No reportable conditions or material instances of non-compliance were noted in the most recent audit period. (1)

Persons administering program are experienced and appear competent.

Monitoring of subrecipients is adequate.

Computer systems used for processing are established and adequate.

Prior audit findings have been corrected. (2)

Y / N	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N
Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA
Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA
Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA
Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA
Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA

**Oversight (Federal and/or Pass-through entities):**

Recent monitoring reviews were performed and noted no significant problems.

OMB has not identified the program as a high risk or non-low-risk program in the Compliance Supplement.

Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA
Y / N	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N

**Inherent Risk:**

Nature of program is not complex.

There are no eligibility criteria or third party contracts.

There hasn't been significant changes in federal regulations or contract provisions.

Program has been on-going (not the first or last year of the program).

Program's Inherent Risk (High, Mod, Low)

Y / N	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N
Y / N	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N
Y / N	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N
Y / N	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N

**Internal Control Consideration:**

Assessed level of risk based on evaluation of internal controls for prior year. (Max / Slr / Mod / Low)

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**Overall Risk Analysis:**

<b>Low Risk (Type A or B Programs)</b>						
<b>Non-Low Risk (Type A Programs Only)</b>						
<b>High Risk (Type B Programs Only)</b>						

(1) - This criteria must be met in order to consider a Type A program low-risk.

(2) - Auditors should use their judgment. Audit findings from prior year do not preclude the program from being low risk.

\*\* - A-133 states in part that for a Type A program to be considered low-risk, it shall have been audited as a major program in at least one of the two most recent audit periods.  
This ensures that all Type A programs are tested as major at least once every three years.

**HOSPITAL** \_\_\_\_\_

**June 30, 2004**

**PRELIMINARY AUDIT RISK**  
**TYPE A AND PRIMARY TYPE B PROGRAM RISK ASSESSMENT**

Note: Except for known reportable conditions in internal control or compliance problems, a single criteria would seldom cause a Type B program to be considered high-risk.

**HOSPITAL** \_\_\_\_\_**June 30, 2004**

**SINGLE AUDIT**  
**PRELIMINARY AUDIT STRATEGY**  
**DETERMINATION OF MAJOR PROGRAMS**

In order to determine major programs, complete the following steps:

- Enter Type A programs and their risk analysis from the Risk Evaluation form. For non low-risk programs only, enter their percentage of total federal expenditures (from the Program Identification form) in the far right column. If there are no low-risk Type A programs, then determine if total percentage of non low-risk Type A programs exceeds the percent of coverage rule. If it exceeds the minimum percentage required, the determination of major programs is complete.
- Enter Type B programs and their risk analysis from the Risk Evaluation form. Select at least half of the high risk Type B programs (may limit the number selected to the number of low-risk Type A programs). For each high-risk Type B program selected, enter its percentage of total federal expenditures (from the Program Identification form) in the far right column. When identifying which high-risk Type B programs to test as major, the auditor is encouraged to use an approach which provides an opportunity for different high-risk Type B programs to be audited as major over a period of time.
- Determine if the total percentages from these two steps exceed the percent of coverage rule. If it exceeds the minimum percentage required, then the determination of major programs is complete. If the minimum percentage is not met, include additional programs as necessary to meet the percentage of coverage rule.
- For each major program, document the inherent risk from the previous page. If a risk assessment was not required, determine the inherent risk based on the criteria from the previous page.

<b>A B</b>	<b>Federal Program</b>	<b>CFDA #</b>	<b>Non Low-Risk</b>	<b>Low- Risk</b>	<b>High- Risk</b>	<b>% of Total Expenditures of Federal Awards</b>	<b>Major Program Inherent Risk</b>
	<b>TOTAL</b>						

50% Rule applicable

25% Rule applicable

**June 30, 2004**

### Identify applicable requirements for all major programs

**CFDA#:**


## Special Tests and Provisions

[illegible]

**HOSPITAL** \_\_\_\_\_

**June 30, 2004**

**PRELIMINARY AUDIT STRATEGY  
SINGLE AUDIT**

**HOSPITAL** \_\_\_\_\_**June 30, 2004****PLANNING CONFERENCE**  
**ENTRANCE**

DATE: \_\_\_\_\_

IN ATTENDANCE:

HospitalAuditor

Name

Title

Name

Title

_____	_____
_____	_____
_____	_____

_____	_____
_____	_____
_____	_____

ItemsDiscussion

## A. Scope of Audit:

1. Period to be audited.
2. Objectives of audit.
3. Year of implementation of GASB 34
4. Funds to be audited (including component units).
5. Federal programs.
6. Additional audit requirements.
7. Reports to be issued.
8. Nonaudit services to be performed and independence restrictions.
9. The audit will be conducted in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and Government Auditing Standards, issued by the Comptroller General of the United States.

## B. Timing of:

1. Fieldwork.
2. Release of report.

## C. Availability of records.

## D. Working space arrangements, if applicable.

## E. Extent of internal auditor/other client assistance.



**HOSPITAL** \_\_\_\_\_**June 30, 2004****PLANNING CONFERENCE**  
**ENTRANCE**ItemsDiscussed?

## F. Auditor's responsibilities for:

1. Obtaining an understanding, testing and reporting on internal controls and compliance with laws and regulations (discussion of ¶4.6.8 and 4.6.9 of Governmental Auditing Standards may be helpful). ☐
2. Discovering and reporting fraud, contractual compliance violations and questioned costs. ☐
3. Obtain reasonable, not absolute assurance that the financial statements are free of material misstatement, whether caused by error or fraud. Accordingly, a material misstatement may remain undetected. Also, an audit is not designed to detect error or fraud that is immaterial to the financial statement. ☐
4. Communicating certain matters to audit committee, entity contracting the audit or other party responsible for oversight. (Identify audit committee or other party, if one exists) ☐
5. Communicating with management if auditor becomes aware that the entity is subject to an audit requirement(s) that is not encompassed in the terms of the engagement. ☐

## G. Client responsibilities for:

1. Financial statement assertions and management letter accepting such responsibilities. ☐
2. Internal controls. ☐
3. Identifying and ensuring the Hospital complies with all laws, rules and regulations that may have a direct and material effect on the financial statement amounts and for disclosing all known instances of non-compliance. ☐
4. Making all financial records and related information available to the auditor. ☐
5. Providing auditor with representation letter at completion of audit including an affirmation that uncorrected misstatements are immaterial. ☐
6. Adjusting the financial statements to correct material misstatements. ☐
7. Preparing required supplementary information (RSI), including management's discussion and analysis (MD&A), and other supplementary information, if applicable. ☐

## H. Status of prior year's audit comments.

## I. Personnel changes.

**HOSPITAL** \_\_\_\_\_**June 30, 2004****PLANNING CONFERENCE**  
**ENTRANCE**Items   Discussion

J.   Accounting problems during year.

K.   Pending litigation.

L.   Significant accounting policies.

M.   Extent of computerized books and records.

N.   Related party/business transactions.

O.   Potential component units, including changes from the prior year.

P.   28E organizations in which the Hospital is a participant.

Q.   Understanding of audit fee and billing arrangements including the extent/amount of additional time and additional costs involved in providing assistance for GASB 34 implementation (if applicable).

**HOSPITAL \_\_\_\_\_****June 30, 2004****PLANNING CONFERENCE**  
**ENTRANCE****R. Additional items for audit planning:**

1. New capital projects or completion of projects from prior year.
2. New grants or completion of grants from prior year.
3. New revenue sources such as special assessments, local option sales tax, etc.
4. Debt issuance or refundings/retirements of debt.
5. Significant changes in Hospital's budget plan from prior year and significant amendments to Hospital's current year budget.
6. Others.

**S. GASB 34 implementation:**

1. Inquire of management the steps taken to implement GASB 34.
2. If implementing GASB 34 in current fiscal year, inquire as to whether any funds have been identified as discretionary major funds.
3. Review implementation checklist, status and timeframe. Provide copy to Phase III entities.

**T. Inquire of management about their understanding of the risk of material misstatement due to fraud and whether they have knowledge of fraud that has occurred.****U. Inquire of management about the existence of a program for preventing, deterring or detecting fraud. If a program exists, determine if fraud risk factors have been identified.**

**HOSPITAL** \_\_\_\_\_**June 30, 2004****PLANNING CONFERENCE**  
**ENTRANCE**

- V. Inform management about the auditor's responsibilities to inquire of them and others about fraud risk factors relating to financial reporting and misappropriation of assets throughout the audit in accordance with SAS 99.
- W. Inquire of management about the existence of any known limitations on the audit.
- X. Other items

Acknowledgement:

Hospital Representative \_\_\_\_\_ Date \_\_\_\_\_

**HOSPITAL** \_\_\_\_\_**June 30, 2004****PLANNING CONFERENCE**  
**MANAGER**

DATE \_\_\_\_\_

ItemsDiscussion

- A. Last year's items for next year's audit.
- B. Significant findings from audit planning.
- C. Single Audit requirements, if applicable.
- D. Results of obtaining an understanding of internal controls.
- E. Nonaudit services to be performed and results of evaluation of independence impairment.
- F. Significant audit program modifications.
- G. Planned audit approach.
- H. Audit time budget:
  - 1. Timing of fieldwork
  - 2. Staff scheduling
  - 3. Budget variances
- I. Other:

**June 30, 2004**

[illegible]

**June 30, 2004**

## TRIAL BALANCES

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<b>Audit Objective:</b> <b>A. Provide a document which links the report or financial statements to supporting workpapers.</b>					
<b>Audit Procedures:</b> A. Obtain or prepare working trial balances by fund type, fund, function and objective class as needed. If prepared by auditor, determine that independence will not be impaired. <ol style="list-style-type: none"> <li>1. A separate trial balance should be prepared for each fund.</li> <li>2. Account classifications should be minimized and consistent with the GASB codification and/or the sample report.</li> <li>3. Foot the working trial balances to verify their accuracy, if applicable.</li> <li>4. Document the source of the information for the beginning balance amounts.</li> </ol>					
B. Record, as necessary, accrual activity and adjusting journal entries. <ol style="list-style-type: none"> <li>1. The adjusting journal entries should be consolidated on a separate page, numbered, briefly explained or described and referenced to supporting workpapers.</li> <li>2. Obtain Hospital concurrence for adjusting journal entries.</li> <li>3. Reconcile reversing journal entries with prior year report.</li> </ol>	A				
C. Record reclassifications as necessary. <ol style="list-style-type: none"> <li>1. The reclassification entries should be consolidated on a separate page, lettered, briefly explained or described and referenced to supporting workpapers if possible.</li> <li>2. Inform the Hospital of all reclassifications which they should be cognizant of and receive their concurrence.</li> </ol>	A				
D. Reference the amounts to supporting workpapers. (The adjusted trial balance amounts should be referenced to supporting workpapers.)	A				
E. Prepare closing entries for each fund.					
F. Prepare a cashflow worksheet that reconciles the changes in assets, liabilities and fund equity and the operating statement activity to the cash flows. Reference the amounts on the cashflow worksheet(s) to supporting workpapers.					

**HOSPITAL** \_\_\_\_\_**June 30, 2004****TRIAL BALANCES**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
G. Reconcile the Hospital's June 30 GAAP basis annual financial report to revenues, expenditures and fund balances per the trial balances.					
H. Examine adjustments made directly to financial statements. (AU 316.58)					
1. Select specific error correction documents for testing. Document the items selected.					
2. Examine the related accounting records and supporting documents or ensure selected items have been examined as part of testing performed in individual transaction cycle audit programs.					
3. Identify and consider the appropriateness of significant adjustments.					
4. Make inquiries of employees involved in the financial reporting process about the possibility of unusual or improper adjustments.					
I. Record full accrual entries for the entity-wide statements.					
1. The entries should be briefly explained or described and referenced to supporting workpapers. Information should be sufficient to prepare reconciliation between fund financials and entity-wide statements.					
2. Reconcile reversing journal entries with prior year report.					
3. Review receipt classifications for proper reporting on entity-wide statements.					
4. Allocate Internal Service Funds net profit/loss to the functions that benefited from the services provided.					
5. Reclassify amounts to/from Agency Fund on the entity wide financial statements.					
6. Obtain Hospital concurrence for full accrual journal entries to ensure auditor's independence.					
7. For initial year of implementation, prepare journal entries necessary to restate the beginning of the year to full accrual.					



## TRIAL BALANCES

[illegible]

**HOSPITAL** \_\_\_\_\_**June 30, 2004****CASH**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<b>Financial Statement Assertions:</b>					
1. <b>Existence and Occurrence</b>					
2. <b>Completeness</b>					
3. <b>Rights and Obligations</b>					
4. <b>Valuation and Allocation</b>					
5. <b>Presentation and Disclosure</b>					
<b>Audit Objectives:</b>					
A. <b>Cash balances as stated in the financial statements properly represent cash on hand, in transit or in banks. (1)</b>					
B. <b>All cash of the Hospital is included in the combined balance sheet. (2)</b>					
C. <b>Depositories are legally acceptable and adequate collateral has been pledged at the depositories for the Hospital's deposits. (3)</b>					
D. <b>Cash balances reflect a proper cut-off of receipts and disbursements, and are stated at the correct amounts. (4)</b>					
E. <b>Cash is properly classified in the financial statements and adequate disclosure is made of restricted, pledged or committed funds. (5)</b>					
<b>Audit Procedures:</b>					
A. <b>Cash on Hand</b>					
1. Determine the location, custodian and amount of all cash funds and select funds to be counted. (Coordinate with examination of investments on hand, in separate audit program section.)					
2. For funds selected, count and list all cash and cash items. Obtain client's signature for return of cash.	A				
3. Reconcile to established balance.	A,B,D				
4. Determine and document reason for any unusual items such as employee and officials checks.					
5. Ascertain reason for checks not deposited immediately.					
6. Determine that all checks were properly endorsed.					
7. Determine frequency of petty cash replenishment.					
8. Determine petty cash payments are reasonable and authorized.					
B. <b>Undeposited Receipts</b>					
1. Determine whether prenumbered receipts were made immediately for all undeposited receipts at the end of the year and that subsequent deposit agrees with books and bank.	A,D				
2. Obtain explanations for variances and document findings/conclusions.					

**HOSPITAL** \_\_\_\_\_**June 30, 2004****CASH**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
C. Cash in Bank					
1. Confirm ending bank balances and authorized check signers.	A,B,C,D				
2. Ascertain and document that confirmed authorized check signers are current employees who should sign checks.					
3. If appropriate, request a cut-off bank statement and related paid checks directly from the bank for ____ days following the balance sheet date.					
4. If cut-off bank statements were not received, obtain bank statement and paid checks for the month immediately following year-end and perform these procedures:	A,B				
a. Scrutinize bank statement for erasures and prove mathematical accuracy of statement (withdrawals equal opening balance plus deposits minus closing balance).					
b. Ascertain that the total of paid checks and debit memos equal total withdrawals per bank statements.					
c. Examine the paid date of each check to ascertain that the check was paid by the bank during the period covered by the bank statement.					
d. Ascertain that the opening balance equals the closing balance from the previous bank statement.					
5. Obtain or prepare bank reconciliations for bank accounts as of year-end:	A,B,D				
a. If prepared by Hospital personnel, foot bank reconciliation.					
b. Reconcile bank balances with general ledger.					
c. Obtain or prepare a list of checks outstanding at the end of the period under audit. Include check number, amount and date written.					
d. Verify, on a test basis, that listed checks cleared the bank after June 30.					
e. Examine documentation supporting outstanding checks over \$_____ which did not clear the bank by July 31st and list payee. Ascertain and document subsequent disposition.					
f. Determine whether Hospital is writing and holding checks at June 30, and comment accordingly.					
1) Determine whether amount is material.					
2) Obtain Hospital's concurrence to adjust or determine if opinion should be modified.					

**HOSPITAL** \_\_\_\_\_**June 30, 2004****CASH**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<ul style="list-style-type: none"> <li>g. Determine that unclaimed property per Chapter 556.1(10) and 556.2 of the Code of Iowa, has been reported to the State Treasurer annually before November 1<sup>st</sup> per Chapter 556.11 of the Code of Iowa.</li> <li>h. Trace all deposits in transit to subsequent bank statement and document the date deposited per books and per bank.</li> <li>i. Determine and document the propriety of other reconciling items.</li> </ul>					
<ul style="list-style-type: none"> <li>6. Trace transfers between banks, including money market accounts, for five days on both sides of statement date: <ul style="list-style-type: none"> <li>a. Prepare a schedule detailing each transfer check, recording the amount, check number, date disbursed per books and per bank, date received (deposited) per books and per bank.</li> <li>b. Review the schedule to determine that the receipt (deposit) and disbursement side of each transfer are recorded in the proper period.</li> </ul> </li> </ul>	B,D				
7. Determine that separate bank accounts are properly maintained for the various funds as required by law, bond indenture or donor restrictions.	C				
8. Depository Resolutions <ul style="list-style-type: none"> <li>a. Obtain a copy of the written resolution approving each depository and the maximum amount which may be kept on deposit, as required by Chapter 12C.2 of the Code of Iowa.</li> <li>b. Prepare a workpaper to test balances to determine if depository balances were exceeded during the year.</li> </ul>	C				
9. Determine the allowability of any sweep accounts.					
10. Determine if uninsured public funds deposited in a credit union were secured by a letter of credit in an amount at least 110% of the uninsured amount.					
11. Determine that the Hospital has insured that all public funds deposits with banks have met the requirements of Chapter 12C.22 of the Code of Iowa (Pledging of Public Funds Program).					
12. Determine the propriety of any cash pledged as collateral or otherwise restricted.	C				
D. Determine if the risk of material misstatement due to fraud has changed based on results of substantive tests performed. If so, perform appropriate procedures.					

HOSPITAL \_\_\_\_\_

June 30, 2004

CASH

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
E. Determine whether cash balances are properly classified and disclosures are adequate.	E				
<u>ALTERNATE/ADDITIONAL PROCEDURES:</u>					
<u>CONCLUSION:</u>					
We have performed procedures sufficient to achieve the audit objectives for cash, and the results of these procedures are adequately documented in the accompanying workpapers.					
Incharge _____ Date _____					
Manager _____ Date _____					

**HOSPITAL** \_\_\_\_\_

**June 30, 2004**

**CASH**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
Independent Reviewer _____ Date _____					

**HOSPITAL** \_\_\_\_\_**June 30, 2004****INVESTMENTS**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<b>Financial Statement Assertions:</b>					
<b>1. Existence and Occurrence</b>					
<b>2. Completeness</b>					
<b>3. Rights and Obligations</b>					
<b>4. Valuation and Allocation</b>					
<b>5. Presentation and Disclosure</b>					
<b>Audit Objectives:</b>					
<b>A. Investment balances are evidenced by securities or other appropriate legal documents either physically on hand or held in safekeeping by others and include all the Hospital's investments. (1,2)</b>					
<b>B. Investments are of types authorized by law. (3)</b>					
<b>C. Investment values, income, gains and losses are stated correctly and allocated properly. (4)</b>					
<b>D. Investments are properly described and classified in the balance sheet and related disclosures are adequate. (5)</b>					
<b>Audit Procedures:</b>					
A. Obtain or prepare a schedule of all investment transactions for the year including investments owned as of year end. For U.S. government securities, the schedule should list the par value of the security in addition to its cost. For stock, the par value of the stock and whether it is common or preferred stock should be listed.					
1. Test mathematical accuracy and trace balances to the year-end bank reconciliation and trial balance.	A,C				
2. Determine that all investments were recorded.	A				
3. On a test basis, trace collections from sale of investments to cash receipts journal or to rollover investment.	C				
4. Examine and list investment documents on hand and trace to schedule or investment records.	A,B,C				
5. If the Hospital has investments in government securities, sight actual investment certificate if held by the Hospital, or confirm ownership with outside safekeeping agent.					
6. Determine that all investments are recorded at cost or, if acquired by gift, at fair value at date of gift. (See Step L below. Investments should be reported at fair value in accordance with GASB 31.)	C				
7. For government securities held by the Hospital at the end of the year not able to be inspected because they were sold prior to our audit, vouch sale of securities to supporting documents and trace proceeds to bank deposit. Examination of safekeeping receipts is not sufficient.	A				

**HOSPITAL** \_\_\_\_\_**June 30, 2004****INVESTMENTS**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
8. Determine if the Hospital has adopted a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa.	B				
9. Determine changes to the investment policy comply with the provisions of Chapter 12B.10B of the Code of Iowa and have been approved by the Board.					
10. Determine that investment transactions complied with the written investment policy.					
11. Determine that all investments are authorized and comply with statutory provisions of Chapter 12B.10 of the Code of Iowa, as applicable.					
12. If applicable, determine if the Hospital has an appropriate public funds custodial agreement as prescribed in Chapter 12B.10C of the Code of Iowa and the Treasurer of State's administrative rules.					
13. If applicable, determine that investments held by City Hospitals are in accordance with Chapter 12B.10(6)(i) of the Code of Iowa.					
B. Confirm investments at end of the year.	A,B,C				
C. Determine if a fiduciary relationship exists between the Hospital and the deferred compensation plan. (A fiduciary relationship exists if there is a formal trust agreement between the Hospital and the Section 457 plan, the Hospital offers investment advice or the Hospital is involved in the administration of the plan.)					
1. If a fiduciary relationship exists, then the deferred compensation plan assets should be recorded as a special revenue fund, in accordance with GASB 32.					
2. Confirm material deferred compensation plan assets at the end of the year.					
3. If no fiduciary relationship exists, no disclosure is necessary.					
D. Related Income					
1. Determine that all investment income was received and recorded in the proper fund as provided by Chapter 12C.7 of the Code of Iowa.					
2. Determine that interest earned on the proceeds of notes, bonds, refunding bonds and other evidence of indebtedness and funds being accumulated for the payment of principal and interest or reserves were used to pay the principal or interest as it came due on the indebtedness, or was used to refund the construction of the project for which the indebtedness was issued, or was credited to the capital project fund for which the					



**HOSPITAL** \_\_\_\_\_**June 30, 2004****INVESTMENTS**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
indebtedness was issued in accordance with Chapter 12C.9(2) of the Code of Iowa.	C				
3. Recalculate interest on a test basis.	C				
4. Compute accrued interest receivable at June 30, if significant.					
5. Determine that all June 30 unrecorded interest has been recorded to the credit of the appropriate fund.	C				
6. Test interest rates to determine whether rates are in accordance with statutory rates established by the State Rate Setting Committee.	B				
E. Determine that the underlying collateral of repurchase agreements consists of authorized investments and that the client has taken delivery of the collateral either directly or through an authorized custodian as provided in Chapter 12B.10(5)(e) of the Code of Iowa.	A,B,C				
F. If the Hospital pools investments for two or more funds, determine that the Hospital uses the market-value method to provide an equitable distribution of investment income.					
G. Review the provisions of donor-restricted gifts to determine if the Hospital's investment policy complies with applicable restrictions.	B				
H. Determine that the Hospital's accounting procedures pertaining to investments:					
1. Adequately distinguish between restricted and unrestricted resources.					
2. Amortize premium and discount in accordance with GAAP.					
3. Distinguish between marketable and non-marketable securities.					
I. Determine that unrealized losses on investments have been properly recognized in the accounts.	C				
J. Determine propriety of any investments pledged as debt collateral or otherwise restricted.	B,D				
K. If the Hospital has stock:	A,B,C				
1. Determine whether the Hospital bought or was given the stock.					
2. If the stock was acquired through gift, determine the terms and conditions of the gift.					
3. Include pertinent documentation in the permanent file.					
L. Determine that investments are recorded at fair value and the change between cost and fair value is recorded as net					

**HOSPITAL** \_\_\_\_\_**June 30, 2004****INVESTMENTS**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<p>increase (decrease) in the fair value of investments in accordance with GASB 31.</p> <p>M. Document the risk category of investments on hand at June 30 for footnote disclosure.</p> <p>N. If the Hospital has investments in derivatives, determine that appropriate disclosures are made in accordance with FASB 119, SAS 92, FASB 138, and FASB 149.</p> <p>O. If the Hospital has transferred financial assets or entered into a servicing contract for assets or liabilities, determine that the appropriate disclosures and assets or liabilities are recorded in accordance with FASB 140.</p> <p>P. If the hospital has investments with no observable market price, determine the method of measurement of fair value and evaluate for propriety in accordance with AU Section 328.</p> <p>Q. Identify the outside persons who invested public funds, provided advice on the investing of public funds, directed the deposit or investment of public funds, or acted in a fiduciary capacity for the client.</p> <p>1. Determine that contracts or agreements with outside persons require the outside person to notify the client in writing of the existence of material weaknesses in internal control or regulatory orders or sanctions regarding the type of services being provided under the contracts or agreements.</p> <p>2. Obtain and review the following:</p> <p>a. The most recent audited financial statements and related report on internal control of outside persons involved in investing activities for the client.</p> <p>b. The most recent annual report to shareholders, call reports or the findings pursuant to a regular examination under state or federal law of a bank, savings and loan or credit union.</p> <p>c. The most recent annual report to shareholders of an open-end management investment company, unincorporated investment company or investment trust registered with the SEC.</p> <p>R. Determine if the risk of material misstatement due to fraud has changed based on results of substantive tests performed. If so, perform appropriate procedures.</p> <p>S. Determine whether investments are properly classified and related disclosures are adequate.</p>	D				

**June 30, 2004**

## INVESTMENTS

[illegible]

**HOSPITAL** \_\_\_\_\_

**June 30, 2004**

**INVESTMENTS**

<b>PROCEDURE</b>		<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
Incharge _____	Date _____					
Manager _____	Date _____					
Independent Reviewer _____	Date _____					

**HOSPITAL** \_\_\_\_\_**June 30, 2004****RECEIVABLES**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<b>Financial Statement Assertions:</b>					
1. <b>Existence and Occurrence</b>					
2. <b>Completeness</b>					
3. <b>Rights and Obligations</b>					
4. <b>Valuation and Allocation</b>					
5. <b>Presentation and Disclosure</b>					
<b>Audit Objectives:</b>					
A. <b>Accounts receivable are valid and have been billed in the proper amounts, for services rendered. (1,3)</b>					
B. <b>Accounts receivable include all amounts still owed for activities through the end of the period. (2)</b>					
C. <b>An adequate allowance for uncollectible accounts has been established, and revenue, accounts receivable and related disclosures are properly presented in the financial statements. (4,5)</b>					
<b>Audit Procedures:</b>					
A. <b>Accounts Receivable</b>					
1. Obtain or prepare a schedule of accounts receivable.					
2. Examine supporting documentation and perform tests to verify the completeness, propriety and reasonableness of the receivable balances.	A,B,C				
3. Determine that all interfund and intrafund accounts receivable/payable are in balance and trace to approval. Evaluate whether such items can be expected to be liquidated within a reasonable period of time.	C				
4. Confirm material receivables, if applicable, and perform alternative procedures on non-replies.	A,B,C				
5. Document reason(s) for not confirming.					
B. <b>Patient and Other Receivables</b>					
1. Review activity in the general ledger control accounts for patient accounts receivable for the period under examination and:	A				
a. Note and investigate any significant entries which appear unusual in amount or source.					
b. Compare the opening balance for the period with the final closing balances per the working papers and reports for the preceding period.					
2. Analyze the relationship of receivables and charges (# of day's charges in accounts receivable) and compare with relationships for the preceding period(s).	C				
3. Determine anticipated adjustments on accounts included in accounts receivable.	A				

**HOSPITAL** \_\_\_\_\_**June 30, 2004****RECEIVABLES**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
4. Perform the following regarding third-party supplemental adjustments: <ul style="list-style-type: none"> <li>a. Review settlements for previous year.</li> <li>b. Obtain data needed to compute current year settlement.</li> <li>c. Test computations made to estimate the amount of retroactive adjustments provided for in the accounts.</li> <li>d. Review applicable rate-setting and reimbursement methods to determine if revenue has been properly recorded.</li> <li>e. Test cost reimbursement reports and other reports used to establish third-party payment rates to determine that they are prepared based on the appropriate principles of reimbursement.</li> <li>f. Review the status of unsettled cost reimbursement reports for prior periods to determine the adjustments, if any, that may be required for the current year financial statements.</li> <li>g. If material settlements and adjustments have been made by third-party payors, review third-party payor audit reports and adjustments for prior cost reports to consider:               <ul style="list-style-type: none"> <li>1. Whether similar adjustments are applicable and have been considered in the current year.</li> <li>2. The propriety of appropriate administrative review board and judicial appeals.</li> </ul> </li> <li>h. If material, determine that amounts and disclosures related to pending claims or appeals for additional reimbursement are properly reflected in the financial statements.</li> <li>i. If material, determine that the effects of timing differences under third-party payor reimbursement methods have been properly recorded.</li> <li>j. If material, determine that the effect of Medicare payment denials because of PRO reviews for medical necessity, appropriateness, or quality of care is properly recorded.</li> </ul>	A,B,C				
5. Obtain or prepare a trial balance or aged trial balance of patient receivables and perform the following: <ul style="list-style-type: none"> <li>a. Crossfoot the totals and refoot the total column and (selected or all) analysis columns.</li> </ul>	A,B				

**HOSPITAL** \_\_\_\_\_**June 30, 2004****RECEIVABLES**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<ul style="list-style-type: none"> <li>b. Trace total to the general ledger control account, and, if as of the balance sheet date, to the lead schedule or working trial balance.</li> <li>c. If patient accounts are not maintained on computer, on a test basis, trace entries for individual patient(s) on the aging analysis (totals and aging detail) to the individual accounts in the accounts receivable subsidiary ledger.</li> <li>d. Select individual accounts from the subsidiary ledger and trace totals and aging detail to the aged trial balance.</li> <li>e. Test footings of individual customer accounts in the subsidiary ledger.</li> </ul> <p>6. Unless alternate verification procedures are used, select individual patient(s) accounts for confirmation procedures from the aged trial balance (or trial balance) and arrange for the preparation of confirmation requests to be mailed under the auditor's control and tested as follows:</p> <ul style="list-style-type: none"> <li>a. Trace individual confirmation requests as to balances and addresses to the subsidiary accounts receivable records. Send confirmations and prepare confirmation statistics. (Note that it is normally not practical to obtain confirmation of receivables from patients who are not discharged since such patients usually do not know their indebtedness until they are discharged.)</li> <li>b. If client requests that any accounts be excluded from the confirmation process, obtain explanations; consider appropriate alternative procedures with respect to the amounts (especially third-party payors).</li> <li>c. Trace confirmation replies to the trial balance and investigate replies with differences.</li> <li>d. Obtain new addresses for all confirmations returned by the post office and remail.</li> <li>e. Send second requests for all unanswered positive confirmation requests. Consider sending third requests by registered or certified mail, and performing alternative auditing procedures.</li> <li>f. Perform alternative auditing procedures for unanswered positive confirmation requests.</li> <li>g. Summarize the results of the confirmation procedures.</li> </ul>	A,B,C				

**HOSPITAL** \_\_\_\_\_**June 30, 2004****RECEIVABLES**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<p>h. Subsequent to the confirmation date, consider reviewing the patients' ledger and remittance advices for cash receipts.</p> <p>7. For positive confirmation requests to which no reply was received, accounts which declined to provide confirmation information and accounts which the client requested not be confirmed, test items subsequently paid to remittance advices which identify the specific invoices paid.</p> <p>8. If accounts receivable were confirmed as of a date other than the balance sheet date, obtain an analysis of transactions between the confirmation and balance sheet dates, trace amounts to books of original entry, and review the analysis and books for significant unusual entries.</p> <p>9. If material in amount, obtain or prepare an analysis of trade notes receivable.</p> <p>a. Include the following information:</p> <ol style="list-style-type: none"> <li>1) Maker.</li> <li>2) Date made/date due.</li> <li>3) Original terms of repayment.</li> <li>4) Collateral, if any.</li> <li>5) Interest rate.</li> <li>6) Balance at the end of last period.</li> <li>7) Principal additions and payments.</li> <li>8) Interest income - at the end of the preceding period, earned during the current period, received during the current period, and accrued at the end of the current period.</li> </ol> <p>b. Foot schedule and trace totals to applicable general ledger accounts.</p> <p>c. Physically inspect all notes in possession of the Hospital.</p> <p>d. Request positive confirmation of the terms and balances of notes with makers (as of the balance sheet date or other date). Investigate any differences.</p> <p>e. Confirm notes out for collection with collection agents.</p>	A,B,C				



**HOSPITAL****June 30, 2004****RECEIVABLES**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<ul style="list-style-type: none"> <li>f. Inspect collateral for notes, if any, making sure that items were not included in corresponding asset accounts of the Hospital.</li> <li>g. Recompute interest income, accrued interest and unearned discount; trace interest collections, if any, to the cash receipts journal.</li> </ul>					
10. Ascertain whether any material accounts or notes have been assigned, pledged or discounted by reference to minutes, review of agreements, confirmation with banks, etc.	C				
11. Ascertain whether any accounts or notes receivable material in amount are owed by employees or related parties such as officers, trustees and affiliates, and:	A,B,C				
<ul style="list-style-type: none"> <li>a. Obtain an understanding of the business purpose for the transactions which resulted in the balances.</li> <li>b. Ascertain that transactions were properly authorized.</li> <li>c. Obtain positive confirmations of the balances (as of the balance sheet date or some other date) except for intercompany accounts with affiliated companies which the firm is concurrently examining.</li> <li>d. Determine if any notes repaid prior to the balance sheet date have since been renewed.</li> </ul>					
12. Obtain or prepare an analysis of the allowance for doubtful accounts for the period, and:	C				
<ul style="list-style-type: none"> <li>a. Review accounts written off during the period and determine that significant write-offs have been properly authorized. Examine supporting documentation, including correspondence with the patient. (Such correspondence may indicate a broader problem.)</li> <li>b. Review the aged trial balance as of the balance sheet date with the client's credit manager or other responsible individual to identify accounts of a doubtful nature and allowances required; review correspondence files and other relevant data in support of client's representation. Items reviewed should include past due amounts and significant amounts whether or not past due.</li> <li>c. Review confirmation exceptions for indication of amounts in dispute.</li> <li>d. Analyze and review trends for the following relationships:</li> </ul>					

**HOSPITAL** \_\_\_\_\_**June 30, 2004****RECEIVABLES**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
1. Allowance for doubtful accounts to accounts receivable (in total and in relation to past due categories per aging analysis). 2. Charges to contractual allowances. 3. Expense provisions for doubtful accounts to net credit charges. 4. Expense provisions for doubtful accounts to write-offs. e. Test the method used to determine that adequate provision has been made for differences between interim billing rates and full established rates. f. Analyze collection activity for accounts previously written off to ascertain that collections on those accounts have been properly recorded. g. If material in amount, review pledges and other receivables to determine that payments are being received in accordance with the terms of the pledge or receivable, as well as testing the method used to determine the allowance for estimated uncollectibles. C. Determine if the risk of material misstatement due to fraud has changed based on results of substantive tests performed. If so, perform appropriate procedures. D. Determine whether receivables are properly classified and disclosures are adequate. <u>ALTERNATE/ADDITIONAL PROCEDURES:</u>	C				
<u>CONCLUSION:</u>					

**HOSPITAL** \_\_\_\_\_

**June 30, 2004**

**RECEIVABLES**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
We have performed procedures sufficient to achieve the audit objectives for receivables, and the results of these procedures are adequately documented in the accompanying workpapers.					
Incharge _____ Date _____					
Manager _____ Date _____					
Independent Reviewer _____ Date _____					

**HOSPITAL** \_\_\_\_\_**June 30, 2004****INVENTORY**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<b>Financial Statement Assertions:</b>					
1. <b>Existence and Occurrence</b>					
2. <b>Completeness</b>					
3. <b>Rights and Obligations</b>					
4. <b>Valuation and Allocation</b>					
5. <b>Presentation and Disclosure</b>					
<b>Audit Objectives:</b>					
A. <b>Inventory reflected in the accounts represents a complete listing of products, materials and supplies owned by the Hospital and these assets are physically on hand or stored at outside locations at the balance sheet date. (1,2,3)</b>					
B. <b>Inventory listings are accurately priced, extended, footed and the totals are properly reflected in the accounts. (4)</b>					
C. <b>Inventories are properly classified in the balance sheet and disclosure is made of pledged or assigned inventory, and the methods used to value inventory. (5)</b>					
<b>Audit Procedures:</b>					
A. Obtain a copy of inventory list at June 30.					
1. Foot the list and test extensions of selected items for mathematical accuracy.	B				
2. Review the list for completeness and reasonableness. Test the pricing of selected items.	A,B				
B. If the auditor was not present during the physical inventory, consider materiality, scope limitation and alternative procedures.					
C. If auditor was present during the physical inventory, review and incorporate observation work papers developed during interim phase of audit.					
1. Trace the test counts of the auditor into the client final inventory listing.	A,B				
2. Test extensions and foot the totals.	B				
D. If an independent organization has been employed to inventory and price drugs, medicines, and medical supplies, perform the following procedures:					
1. Determine if the procedures used by the independent organization can be relied upon to support the financial statement amounts.					
2. Document the procedures performed and the results.	A,B				
E. Determine whether the basis of pricing (costing) conforms to generally accepted accounting principles and whether it has been consistently applied. Include costing information in Notes to Financial Statements.	C				

## INVENTORY

[illegible]

**HOSPITAL** \_\_\_\_\_

**June 30, 2004**

**INVENTORY**

<b>PROCEDURE</b>		<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
Manager _____	Date _____					
Independent Reviewer _____	Date _____					

**HOSPITAL** \_\_\_\_\_**June 30, 2004****PREPAID EXPENSE**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<b>Financial Statement Assertions:</b> <b>1. Existence and Occurrence</b> <b>2. Completeness</b> <b>3. Rights and Obligations</b> <b>4. Valuation and Allocation</b> <b>5. Presentation and Disclosure</b>					
<b>Audit Objectives:</b> <b>A. Prepaid expenses are properly recorded and represent a complete listing of costs that are allocable to future periods, and, are properly amortized on a basis consistent with that used in prior periods. (1,2,3,4)</b> <b>B. Prepaid expenses are properly described, classified and related disclosures are adequate. (5)</b>					
<b>Audit Procedures:</b> A. Obtain or prepare a schedule of material prepaid expenses. B. Examine supporting documentation and verify reasonableness of computed prepaid amounts. C. Determine if the risk of material misstatement due to fraud has changed based on results of substantive tests performed. If so, perform appropriate procedures. D. Determine whether prepaid expenses are properly classified and disclosures are adequate.					
<u>ALTERNATE/ADDITIONAL PROCEDURES:</u>					
<u>CONCLUSION:</u> We have performed procedures sufficient to achieve the audit objectives for prepaid expenses, and the results of these procedures are adequately documented in the accompanying workpapers.					
Incharge _____ Date _____ Manager _____ Date _____					

**HOSPITAL** \_\_\_\_\_

**June 30, 2004**

**PREPAID EXPENSE**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
Independent Reviewer _____					Date _____



**HOSPITAL** \_\_\_\_\_**June 30, 2004****CAPITAL ASSETS**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<b>Financial Statement Assertions:</b>					
1. <b>Existence and Occurrence</b>					
2. <b>Completeness</b>					
3. <b>Rights and Obligations</b>					
4. <b>Valuation and Allocation</b>					
5. <b>Presentation and Disclosure</b>					
<b>Audit Objectives:</b>					
<b>A. Capital assets represent a complete and valid listing of the capitalizable cost of assets purchased, constructed, or leased and physically on hand. "Additions" or capital expenditures represent a complete and valid listing of the capitalizable cost of the property and equipment acquired during the period. "Deletions" of capitalized costs and, if applicable, related depreciation associated with all sold, abandoned, damaged, or obsolete capital assets have been removed from the accounts. Depreciation and the related allowance account, if applicable, has been computed on an acceptable basis consistent with that used in the prior years. (1,2,3,4)</b>					
<b>B. Capital expenditures and capital assets are properly classified in the financial statements, and related disclosures are adequate. (5)</b>					
<b>Audit Procedures:</b>					
A. Obtain or prepare a summary schedule of capital assets showing beginning balances, additions, retirements and other changes and ending balances and reconcile to supporting schedules.					
B. Examine records for additions including dates, vendor, description, new or used, life, depreciation method and cost and investment credit. Vouch additions to underlying supporting documents.	A				
C. Physically inspect major additions or inspect tax bills, licenses, deeds, or other documents for major additions.	A				
D. Determine if capital assets have been recorded at cost or estimated cost and review any historical cost-based appraisals for propriety.	B				
E. Review Hospital's capitalization policies and determine that the books and records are consistent with such policies.					
F. Compute the percentage of repair and maintenance expense to beginning investment in property and equipment and compare with prior periods.					
G. Review repair and maintenance accounts and, when necessary, examine supporting documents to test for capital items.					

**HOSPITAL** \_\_\_\_\_**June 30, 2004****CAPITAL ASSETS**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
H. Consider the relationship of capital asset deletions to acquisitions.	A				
I. Examine records for deletions including acquisition and disposal dates, description, life, depreciation, sales proceeds, gain or loss, depreciation recapture and investment credit recapture and trace the proceeds to evidence of cash receipts and the cash receipts records.					
J. Determine that hearings were held and publications made prior to selling or leasing any real property in accordance with Chapter 347.30 of the Code of Iowa.					
K. Determine that publications were made prior to selling or leasing any personal property in accordance with Chapter 347.30 of the Code of Iowa.					
L. If applicable, determine that the sale or lease of any sites or buildings and the use of any proceeds was in accordance with Chapters 347.13(12) and 347.13(13) of the Code of Iowa.					
M. If applicable, determine the sale of property acquired by gift, devise, bequest, or otherwise and the use of any proceeds was in accordance with Chapter 347.13(11) of the Code of Iowa.	A,B				
N. Compare transfers of capital assets between affiliated hospitals, out-patient clinics, or between account classifications, reconcile differences and determine whether they have been properly accounted for.					
O. Review leases, rental income and expense accounts for recorded capital items. Determine whether leases have been properly recorded and accounted for.	A				
P. Obtain or prepare a schedule of depreciation allowances showing beginning balances, additions, eliminations and other changes and ending balances:					
1. Review schedule for accuracy and trace to general ledger.					
2. Consider relationship of current year's depreciation to property and equipment cost.					
3. Test computations and trace additions to expense accounts.					
4. Compare methods, rates and lives to those in previous years to determine consistency and reasonableness.					
5. Determine if the Hospital uses accelerated depreciation for cost reimbursement purposes and a different method for financial statement purposes. The effect of this difference should be reported as a deferred items in the balance sheet.					
6. If depreciation schedule is prepared by auditor, determine independence has not been impaired.					

**HOSPITAL** \_\_\_\_\_**June 30, 2004****CAPITAL ASSETS**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
Q. If the Hospital has access to the use of plant facilities under arrangements other than outright ownership, inquire into and disclose the nature of such relationships.	B				
R. Determine that capital assets not used for Hospital operations is reported separately from the unrestricted funds.	B				
S. Determine if any capital assets are pledged or restricted.	B				
T. For applicable additions to capital assets, determine compliance with the Department of Public Health Certificate of Need requirements described in Chapters 135.61 to 135.65 of the Code of Iowa.					
U. Determine if the risk of material misstatement due to fraud has changed based on results of substantive tests performed. If so, perform appropriate procedures.					
V. Determine whether capital assets are properly classified and disclosures are adequate.					
<u>ALTERNATE/ADDITIONAL PROCEDURES:</u>					
<u>CONCLUSION:</u>					
We have performed procedures sufficient to achieve the audit objectives for capital assets, and the results of these procedures are adequately documented in the accompanying workpapers.					
Incharge _____ Date _____					
Manager _____ Date _____					

**HOSPITAL** \_\_\_\_\_

**June 30, 2004**

**CAPITAL ASSETS**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
Independent Reviewer _____ Date _____					

**HOSPITAL** \_\_\_\_\_**June 30, 2004****CURRENT LIABILITIES**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<b>Financial Statement Assertions:</b> <b>1. Existence and Occurrence</b> <b>2. Completeness</b> <b>3. Rights and Obligations</b> <b>4. Valuation and Allocation</b> <b>5. Presentation and Disclosure</b>  <b>Audit Objectives:</b> <b>A. Liabilities at the balance sheet date are properly supported. (1)</b> <b>B. Liabilities are properly authorized, represent the correct amounts of currently payable items in the proper period and reflect all outstanding obligations. (2,3,4)</b> <b>C. Liabilities are properly recorded, classified and disclosures are adequate. (5)</b>  <b>Audit Procedures:</b> <b>A. Accounts Payable</b> 1. Obtain or prepare a schedule of accounts payable at June 30 and foot the schedule. 2. Review the schedule and perform tests to verify the completeness, propriety and reasonableness of the accounts payable balance. 3. Perform a search for unrecorded liabilities, including the following sources, and schedule findings to show the effect of the potential adjustment on operations or financial position: a. Examine files of receiving reports unmatched with vendors' invoices, searching for significant items received on or before the balance sheet date. b. Inspect files of unprocessed invoices and vendors' statements for unrecorded liabilities. c. Review the cash disbursements journal for disbursements after the balance sheet date; obtain and examine supporting detail for each disbursement of \$_____ and over and determine that accounts payable as at the balance sheet date were properly recorded. d. Review contract commitments with doctors, specialists, related parties and others who perform services by arrangement with the Hospital. e. Inquire of responsible Hospital staff about their knowledge of additional sources of unprocessed invoices, unrecorded commitments, additional premiums charged by insurers for retrospectively rated malpractice policies, or contingent liabilities.					
	A,B				
	B				

**HOSPITAL** \_\_\_\_\_**June 30, 2004****CURRENT LIABILITIES**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<p>Indicate who responded to the inquiry in the remarks columns.</p> <p>B. Review capital projects workpaper for contract and retainage payable and perform tests to verify the completeness, propriety and reasonableness of the amounts.</p> <p>C. Accrued Expenses</p> <p>1. Obtain or prepare schedules for the following accruals:</p> <p>a. Accounts payable.</p> <p>b. Accrued payroll.</p> <p>c. Accrued payroll taxes.</p> <p>d. Accrued interest.</p> <p>e. Compensated absences (current and long-term portion).</p> <p>f. Due to other funds.</p> <p>g. Due to other governments.</p> <p>h. Succeeding year property taxes.</p> <p>i. Other (list):</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>2. Examine supporting documentation and perform tests to verify the completeness, propriety and reasonableness of the accruals.</p> <p>3. Determine that amounts accrued that are not currently includable in cost for reimbursement purposes have been identified for consideration in the computation of contractual allowances.</p>	A,B				
	A,B				
	B				
D. Advances and Deposits					
1. Review advance payment balances received from Medicare, Medicaid, or other third-party payors for proper recording.	B,C				
2. Review policies requiring deposits from certain classes of patients and consider confirmation on a test basis.	A,B				
E. Determine if the risk of material misstatement due to fraud has changed based on results of substantive tests performed. If so, perform appropriate procedures.					
F. Determine whether current liabilities are properly classified and disclosures are adequate.	C				

**June 30, 2004**

### CURRENT LIABILITIES

[illegible]

**HOSPITAL** \_\_\_\_\_

**June 30, 2004**

**CURRENT LIABILITIES**

<b>PROCEDURE</b>		<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
Manager _____	Date _____					
Independent Reviewer _____	Date _____					



**HOSPITAL** \_\_\_\_\_**June 30, 2004****LONG-TERM DEBT**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<b>Financial Statement Assertions:</b>					
1. <b>Existence and Occurrence</b>					
2. <b>Completeness</b>					
3. <b>Rights and Obligations</b>					
4. <b>Valuation and Allocation</b>					
5. <b>Presentation and Disclosure</b>					
<b>Audit Objectives:</b>					
A. <b>Debt is authorized and recorded in the proper fund type or account group. (1)</b>					
B. <b>All indebtedness of the Hospital is identified, recorded and disclosed. (2)</b>					
C. <b>The Hospital has complied with the provisions of indentures and agreements related to the debt, including provisions for the use of proceeds. (3)</b>					
D. <b>Disbursements or expenditures (including principal and interest payable) are properly recorded, classified, and disclosed. (4)</b>					
E. <b>Debt and related restrictions, guarantees, and commitments are properly presented in the financial statements, and related disclosures are adequate. (5)</b>					
<b>Audit Procedures:</b>					
A. Obtain or prepare an analysis of bonds and notes payable and other long-term debt (summarizing the activity) for the year by bond or note issue.					
B. Determine that copies of bond or note provisions for revenue bonds/notes (resolutions) and terms and other details of other debt are included in the Permanent File. This should include name of payee, original date, collateral and carrying amounts, interest rates, payment terms, due dates, original amounts, dates interest paid to and current and long-term portions.					
C. Document revenue bond/note special reporting requirements such as insurance, number of patients, rates, etc. for report.					
D. Review bond or note provisions for compliance with restrictive and reporting requirements and test adequacy of required account balances and document findings. Document and include any non-compliance in the notes to the financial statements and audit report comment.					
E. Request confirmation of balances payable from lenders with whom there was a significant balance any time during the period.	A,B,C, D				
F. Reconcile analysis of notes payable and long-term debt to the general ledger. Prove the mathematical accuracy of the analysis.	B				
G. Recompute prepaid or accrued interest.	D				

**HOSPITAL** \_\_\_\_\_**June 30, 2004****LONG-TERM DEBT**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
H. Test interest expense for reasonableness, for evidence of unrecorded liabilities and tie to the expense accounts.	B,D				
I. On a test basis, trace bond/note and interest payments to canceled checks. Determine that payee agrees with bond/note and interest records for registered bonds/notes.					
J. Consider reasonableness of interest rates on new obligations and the need for interest imputation.					
K. Review restrictive covenants, if any, for compliance.	C				
L. Review notes payable for indications of guarantees and determine the nature of the guarantees and the relationships, if any, of the guarantors to the Hospital.	C				
M. Determine five year maturities of debt.	E				
N. Determine and document that procedures for bonds sold during the current year were in compliance with Chapter 75 of the Code of Iowa.	C				
O. Determine and document that bond proceeds are being used in accordance with bond provisions.					
P. Determine and document whether a bond register is maintained and that it is current and accurate.					
Q. On a test basis trace paid bonds/notes and coupons to the bond/note register and determine if they have been properly canceled.					
R. Summarize bonds and interest due, but not paid at year-end.	A,D				
S. If a material event has occurred, determine that the Hospital has complied with the reporting requirements in accordance with SEC Rule No. 240.15c2-12. (Exempt are bond offerings of less than \$1,000,000 and Hospitals whose outstanding debt is less than \$10,000,000.)					
T. If applicable, determine if money borrowed for the purposes of improvement, maintenance, or replacement of the hospital or for hospital equipment was secured solely by hospital revenues as required by Chapter 347.14(16).					
U. Judgments and Claims					
1. Obtain a listing of judgments and claims against the Hospital.					
2. Trace to supporting documentation.					
3. Determine if judgments/claims were paid out of the proper fund.					
V. Compensated Absences					
1. Review the Hospital's policies for earned vacation, sick leave and related FICA benefits.					

**June 30, 2004**

## LONG-TERM DEBT

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<p>2. Obtain a summary of compensated absences at June 30 and foot the summary.</p> <p>3. Determine the amounts have been determined in accordance with the provisions of GASB 16, including salary-related payments such as employer's share of social security and pension plan contributions, as applicable.</p> <p>4. Distinguish between current and non-current portions.</p> <p>5. Review for reasonableness.</p> <p>6. Select amounts to test the validity of compensated absences:</p> <ul style="list-style-type: none"> <li>a. Trace to supporting data.</li> <li>b. Recalculate hourly rate, number of hours earned, and unused and extensions.</li> <li>c. Determine appropriateness of charges to various funds.</li> <li>d. Determine the amount of matured liability in accordance with GASB Interpretation #6 for the fund financial statements.</li> </ul> <p>W. Determine if the risk of material misstatement due to fraud has changed based on results of substantive tests performed. If so, perform appropriate procedures.</p> <p>X. Determine whether long-term debt is properly classified and disclosures are adequate.</p> <p><u>ALTERNATE/ADDITIONAL PROCEDURES:</u></p>  <p><u>CONCLUSION:</u></p> <p>We have performed procedures sufficient to achieve the audit objectives for long-term debt, and the results of these procedures are adequately documented in the accompanying workpapers.</p> <p>Incharge _____ Date _____</p> <p>Manager _____ Date _____</p>	E				

**HOSPITAL** \_\_\_\_\_

**June 30, 2004**

**LONG-TERM DEBT**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
Independent Reviewer _____ Date _____					

**HOSPITAL** \_\_\_\_\_**June 30, 2004****NET ASSETS**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<b>Financial Statement Assertions:</b>					
<b>1. Existence and Occurrence</b>					
<b>2. Completeness</b>					
<b>3. Rights and Obligations</b>					
<b>4. Valuation and Allocation</b>					
<b>5. Presentation and Disclosure</b>					
<b>Audit Objectives:</b>					
<b>A. All and only properly authorized reservations and designations of net assets/fund balances are recorded. (1,2)</b>					
<b>B. Components of net assets/fund balance are determined in accordance with state and local regulations and requirements. (3)</b>					
<b>C. Components of net assets/fund balance and changes in net assets/fund balance are properly computed and are described, classified, and disclosed appropriately in the financial statements. (4,5)</b>					
<b>Audit Procedure:</b>					
A. Reconcile Hospital's net assets/fund balances to the prior year audited balances by fund and by program. (Note: For convenience, the term "fund balance" is used in this section as a broad term to describe all components of fund equities. Fund equities of proprietary fund types consist of retained earnings, which may have reserved and unreserved components.)	A,C				
B. Analyze and verify the changes in all fund balances and trace to supporting documentation as applicable.	A,C				
C. Determine that the proper amount of fund balance has been reserved for items as applicable.	B				
D. Determine that reservations and/or designations of fund balances were properly authorized based on review of the minutes, debt agreements, etc	A,B				
E. Determine that the proper classification of net assets for report purposes for the following: 1. Invested in capital assets net of related debt. 2. Restricted net assets. 3. Unrestricted net assets.	A,B,C				
F. Obtain or prepare a schedule of changes in net assets and determine: 1. Transfers from restricted funds are in accordance with restrictive covenants. 2. Transfers from restricted to unrestricted funds have been properly recorded for additions to property and equipment financed by restricted resources.	B,C				

**HOSPITAL** \_\_\_\_\_**June 30, 2004****NET ASSETS**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
G. Determine if the risk of material misstatement due to fraud has changed based on results of substantive tests performed. If so, perform appropriate procedures.					
<u>ALTERNATE/ADDITIONAL PROCEDURES:</u>					
<u>CONCLUSION:</u> We have performed procedures sufficient to achieve the audit objectives for net assets/fund balance, and the results of these procedures are adequately documented in the accompanying workpapers.					
Incharge _____ Date _____					
Manager _____ Date _____					
Independent Reviewer _____ Date _____					

**June 30, 2004**

### RECEIPTS/REVENUES

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<b>Financial Statement Assertions:</b> 1. <b>Existence and Occurrence</b> 2. <b>Completeness</b> 3. <b>Rights and Obligations</b> 4. <b>Valuation and Allocation</b> 5. <b>Presentation and Disclosure</b>  <b>Audit Objectives:</b> A. Revenues have been properly recorded and are valid. (1) B. All revenues in this fiscal period have been recorded. (2) C. The Hospital has satisfied the relevant legal requirements to receive all revenues recorded. (3) D. Revenues have been billed or charged and recorded at the correct amount. (4) E. Revenues are properly classified in the financial statements, and related disclosures are adequate. (5) <b>Audit Procedures:</b> A. General 1. Scan ledgers or receipts detail for unusual items. Investigate accordingly. 2. Confirm revenue received from federal, state and county sources. 3. Select receipts for testing. a. List receipt number, from whom received, purpose and amount. b. Trace posting to cash receipts journal. c. Determine if account classification is correct. d. Vouch to supporting documentation, if available. e. Trace to validated deposit ticket. f. Determine if deposit is made intact on a timely basis. B. Service Revenue and Deductions - Make sufficient tests of both service revenue and deductions therefrom to obtain satisfaction that they are properly recorded and classified. Consider the following procedures with respect to service revenue: 1. Where appropriate test to determine that revenue is accrued as service is performed and that related contractual, charity or other allowances are accounted for in accordance with the respective contracts and the Hospital's policies. 2. For material items, compare revenues of the current period with those of the previous period and obtain an explanation for unusual variances.					
	A,B,C,D				
	A,B,D				
	C,D				

**HOSPITAL** \_\_\_\_\_**June 30, 2004****RECEIPTS/REVENUES**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
3. Test propriety of charges to patient accounts by comparing with patients' medical records. Also, compare patients' medical records to patient accounts.	B,C,D				
4. Compare patient charges and the Hospital's standard billing rates on a test basis.	C,D				
5. Where applicable, review statistical reports (of patient days and lab tests, for example) to consider reliability of statistical records.					
6. Where applicable, perform overall tests of revenue (based upon days of care and other service statistics).					
7. Where applicable, test the accuracy of revenue recorded based on DRG assignments by reviewing the results of the PRO's DRG validation audits, PRO reviews of the appropriateness of admissions and related denials, and PRO reviews of the medical necessity of outlier days and service costs.					
8. With respect to deductions from revenue, auditing procedures for revenue deductions closely parallel those that are applicable to revenue and ordinarily are performed in conjunction with the examination of accounts receivable and revenue.	A,B				
a. Where applicable, review third-party payor contracts and methods of payment.					
b. Test the computation of estimated adjustments to revenue required under such contracts.					
c. Compare prior-year settlements to prior-year estimates and determine that all material differences have been accounted for properly.					
9. Determine the reasonableness of third-party revenues and related receivables and the adequacy of disclosures in accordance with Statement of Position (SOP) 00-1.	A,D,E				
C. Revenue From Other Governmental Sources					
1. Confirm state revenues and trace amounts into the accounting records.					
2. For other receipts from federal, state or other agencies, confirm the following types of revenue received directly with the appropriate agency:					
a. Grants and subsidies from other governmental units.					
b. Other material receipts (specify):					
_____					
_____					
_____					
_____					



RECEIPTS/REVENUES

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
3. Trace to validated deposit ticket on a test basis.					
4. Determine that deposits are made in a timely manner.					
5. Determine that such funds were recorded in the proper fund and were used for authorized purposes.					
D. Other Operating and Non-operating Revenue					
1. Review supporting documentation underlying contributions, including correspondence, acknowledgement receipts and notifications, and minutes of governing board and committee meetings, to determine:	A,B,C, D				
a. Related revenue is properly recorded in the correct fiscal year and classified in compliance with FASB 116.					
b. Restrictive covenants are properly complied with.					
c. Adequate procedures exist for receipt and acknowledgement.					
2. Test research grants and other restricted receipts for compliance with the significant provisions of the applicable contracts and agreements by reviewing:	B,C				
a. Budgets of related projects.					
b. Billing procedures and cost reports.					
c. Allowable cost provisions.					
d. Field audit reports prepared by representatives of grantors.					
e. Renegotiation requirements.					
f. Other supporting documentation.					
3. Review the adequacy of the Hospital's provision for cost disallowances and other grant adjustments.					
4. Compare recorded revenue from material educational activities with independently calculated estimates.					
E. Sale of Bonds/Notes					
1. Review authorization for issuance.	C,D				
2. Test premiums or discounts and accrued interest from sale of bonds for compliance with Chapter 75.5 of the Code of Iowa.	C				
3. Determine that bonds sold were properly recorded and trace proceeds to cash receipts record and bank statement.	A,B,D				

**June 30, 2004**

[illegible]

**HOSPITAL** \_\_\_\_\_**June 30, 2004****EXPENSES AND DISBURSEMENTS**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<b>Financial Statement Assertions:</b>					
1. <b>Existence and Occurrence</b>					
2. <b>Completeness</b>					
3. <b>Rights and Obligations</b>					
4. <b>Valuation and Allocation</b>					
5. <b>Presentation and Disclosure</b>					
<b>Audit Objectives:</b>					
A. <b>Recorded expenditures and cash disbursements are for goods or services authorized and received. (1)</b>					
B. <b>Expenditures incurred for goods or services have all been identified. (2)</b>					
C. <b>Expenditures for goods or services are authorized and in accordance with applicable regulations or requirements. (3)</b>					
D. <b>Expenditures for goods or services and related disbursements have been recorded correctly as to account, fund, period, and amount. (4)</b>					
E. <b>Expenditures for goods or services are properly presented by fund type and related disclosures are adequate. (5)</b>					
<b>Audit Procedures:</b>					
A. General					
1. Scan disbursements journal for unusual items. Investigate accordingly.	A,D				
2. For travel and questionable disbursements:					
a. Scan account detail for travel expenses and disbursements which may not meet public purpose criteria.	C				
b. Prepare workpapers as necessary to adequately document for report presentation.	E				
3. Determine the extent of purchases by credit card and test, if significant.					
4. Review amounts paid to Trustees and determine amounts were limited to reimbursement of actual expenses and supported by an itemized statement in accordance with Chapter 347.19 or 392.6 of the Code of Iowa. Also, Trustees can not receive compensation greater than \$1500 in accordance with Chapter 347.9 of the Code of Iowa.					
5. Determine the propriety of the allocation of expenses between the Hospital and affiliated organizations.	D				
6. Schedule all related party transactions (with Hospital officials or employees) for comment. The workpaper should list all payments applicable for the period when the individual was an employee or official of the Hospital.					

**HOSPITAL** \_\_\_\_\_**June 30, 2004****EXPENSES AND DISBURSEMENTS**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
B. Disbursements					
1. Select disbursements for testing the following items:	A,B,C, D				
a. Disbursement was properly authorized and approved for payment.					
b. Disbursement was charged to the proper fund.					
c. Disbursement was charged to the proper disbursement account.					
d. Disbursement was supported by invoice or contract.					
e. Goods and services were received prior to the end of the fiscal year.					
f. Invoice or other documentation was canceled to prevent reuse.					
g. Canceled checks or electronically retained check images per Chapter 554D.114(5) of the Code of Iowa are properly endorsed and cancelled.					
h. Signatures were authorized per confirmed list from bank.					
i. Disbursements for capital assets are included on the capital assets listing, if applicable.					
j. The disbursement appears to meet the test of public purpose. For those items which are questionable the Hospital should have adequate documentation as to how the expenditure(s) meet the test of public purpose.					
k. Expenditure is proper under federal laws and regulations, if applicable.					
l. Mileage was paid at a rate approved by the Board and not in excess of amount allowable under Federal Internal Revenue Service rules as provided by Chapter 70A.9 of the Code of Iowa.					
m. Disbursement for equipment and/or supplies is in compliance with Chapter 347.13(3) of the Code of Iowa.					
2. For capital projects and other construction contracts prepare a workpaper to:	A,C,D				
a. Reconcile original contract to final contracts.					
b. Reconcile total payments to-date by scheduling prior year payments, current year payments, payments due and retainage due.					

**HOSPITAL** \_\_\_\_\_**June 30, 2004****EXPENSES AND DISBURSEMENTS**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<p>c. Determine that projects and contracts were authorized and approved by the governing body and comply with Chapter 347.13(2) of the Code of Iowa.</p> <p>C. Test that charges to material research grants are in accordance with grant agreements and, if applicable, review the apportionment of indirect costs to such grants for reasonableness.</p> <p>D. If material, test fund-raising costs and the propriety of their classification. Determine that joint activities costs are properly reported in accordance with SOP 98-2.</p> <p>E. Review comparative operational statistics and the relationship of such statistics to expenses.</p> <p>F. Review and, where material variances exist from prior year, analyze the following expense accounts:</p> <ol style="list-style-type: none"> <li>1. Maintenance and repair.</li> <li>2. Operations of plant.</li> <li>3. Professional fees (other than medical).</li> <li>4. Administration and general expense.</li> <li>5. Laboratory supplies and expense.</li> <li>6. X-ray supplies and expense.</li> <li>7. Pharmacy supplies and expense.</li> <li>8. Food service supplies and expense.</li> <li>9. Operating room supplies and expense.</li> <li>10. Medical and surgical expense.</li> <li>11. Miscellaneous expense.</li> <li>12. New or unusual expense accounts.</li> </ol> <p>G. Review Hospital procedures for awarding contracts.</p> <ol style="list-style-type: none"> <li>1. Construction</li> <li>2. Purchasing</li> <li>3. Audit service (Ch. 11.6 (2)C9).</li> </ol> <p>H. Determine if the risk of material misstatement due to fraud has changed based on results of substantive tests performed. If so, perform appropriate procedures.</p> <p>I. Determine that expenses are properly classified and disclosures are adequate.</p>	<p>C</p> <p>E</p> <p>A,B,D</p> <p>E</p>				

**June 30, 2004**

## EXPENSES AND DISBURSEMENTS

[illegible]

**HOSPITAL** \_\_\_\_\_

**June 30, 2004**

**EXPENSES AND DISBURSEMENTS**

<b>PROCEDURE</b>		<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
Incharge _____	Date _____					
Manager _____	Date _____					
Independent Reviewer _____	Date _____					

**PAYROLL**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<b>Financial Statement Assertions:</b> <b>1. Existence and Occurrence</b> <b>2. Completeness</b> <b>3. Rights and Obligations</b> <b>4. Valuation and Allocation</b> <b>5. Presentation and Disclosure</b> <b>Audit Objectives:</b> <b>A. Payroll (wages, salaries, and benefits) disbursements are made only for work authorized and performed. (1,2)</b> <b>B. Payroll is computed using rates and other factors in accordance with contracts and relevant laws and regulations. (3)</b> <b>C. Payroll and related liabilities are recorded correctly as to amount and period and distributed properly and disclosures are adequate. (4,5)</b> <b>Audit Procedures:</b> <b>A. On a test basis, select payroll transactions from throughout the year to test:</b> 1. Authorization for gross pay or hourly rate. 2. Approval of hours worked. 3. Accuracy of number of hours paid per payroll journal to hours worked per approved timesheet (for hourly employees). 4. Accuracy of calculation of gross pay. 5. Accuracy of computation of FICA and IPERS. 6. Authorization for payroll deductions. 7. Authorization for direct deposit. 8. Endorsement and cancellation of checks are proper. 9. Reasonableness of computation of federal and state withholding. <b>B. Determine that timesheets are prepared and approved for all employees, including salaried employees.</b> <b>C. Review copies of payroll tax returns and document reconciliation of gross wages to disbursements records. Explain material variances.</b> <b>D. Determine that actual gross salaries have been published as required by Chapter 347.13(14) of the Code of Iowa. Obtain a copy of the publication and test selected items for accuracy.</b> <b>E. Determine that compensation of the Hospital Administrator, assistants and employees was determined in accordance with Chapter 347.13(5) of the Code of Iowa.</b>					
	A,B,C				
	A				



**HOSPITAL** \_\_\_\_\_**June 30, 2004****PAYROLL**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<p>F. Examine agreements between the Hospital and independent contractors (including physicians.)</p> <ol style="list-style-type: none"> <li>1. Test contract amounts paid that were based on written agreements.</li> <li>2. Obtain written representation from management outlining terms of any verbal agreements, and, where appropriate, request confirmation of the details of agreements.</li> <li>3. Analyze the basis upon which the Hospital has segregated charges if it bills for physicians.</li> <li>4. If material amounts are involved, test the Hospital's method of recording services and supplies furnished to employees, such as value of meals, housing, and laundry; and test the distribution of those items to various departments and the treatment thereof for Social Security, withholding tax, and insurance purposes.</li> </ol> <p>G. If material amounts are involved, test procedures for recording costs for special nurses and the billing of those costs to patients.</p> <p>H. For Hospitals that record values for contributed services, the following procedures should ordinarily be considered:</p> <ol style="list-style-type: none"> <li>1. Test the compensation value assigned to services contributed by non-paid persons based on time spent and job description by comparison with compensation paid to workers in similar positions.</li> <li>2. Determine that living and support costs for those non-paid individuals have been considered in arriving at salary equivalents.</li> <li>3. If non-salaried positions are involved, test time records and test computations supporting the salary equivalent amount for voluntary services.</li> </ol> <p>I. Prepare a workpaper documenting:</p> <ol style="list-style-type: none"> <li>1. Total Hospital contributions to IPERS.</li> <li>2. Total employee contributions to IPERS.</li> <li>3. Total IPERS covered payroll.</li> <li>4. Total Hospital payroll.</li> </ol> <p>J. For retirement systems other than IPERS:</p> <ol style="list-style-type: none"> <li>1. Review and update permanent file information on pension plans.</li> <li>2. Obtain copy of actuarial report and review. Include copy of pertinent data in file.</li> <li>3. Determine employee groups covered by each plan.</li> <li>4. Obtain and verify appropriate information for disclosure.</li> </ol>	A,B,C				
	C				

**PAYROLL**

[illegible]

**HOSPITAL** \_\_\_\_\_**June 30, 2004****TRANSFERS**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<b>Financial Statement Assertions:</b> <b>1. Existence and Occurrence</b> <b>2. Completeness</b> <b>3. Rights and Obligations</b> <b>4. Valuation and Allocation</b> <b>5. Presentation and Disclosure</b>					
<b>Audit Objectives:</b> <b>A. All transfers have been identified, adequately supported and properly authorized. (1,2)</b> <b>B. Transfers comply with statutory requirements, if any. (3)</b> <b>C. Transfers are recorded in the proper time period under audit, and correct as to accounts and amounts recorded. (4)</b> <b>D. Transfers are properly classified and disclosures are adequate. (5)</b>					
<b>Audit Procedures:</b> A. Obtain or prepare a schedule of all fund transfers during the year. B. Identify the date and purpose of each transfer and trace to supporting documentation. C. Trace to approval by Board. D. Review transfers for propriety and compliance with applicable fund restrictions. Document findings. E. Trace transfers to all appropriate funds and determine that the transfers are recorded in the proper period. F. Determine if the risk of material misstatement due to fraud has changed based on results of substantive tests performed. If so, perform appropriate procedures.					
<u>ALTERNATE/ADDITIONAL PROCEDURES:</u>					
<u>CONCLUSION:</u> We have performed procedures sufficient to achieve the audit objectives for transfers, and the results of these procedures are adequately documented in the accompanying workpapers.					
Incharge _____ Date _____ Manager _____ Date _____					

**HOSPITAL** \_\_\_\_\_

**June 30, 2004**

**TRANSFERS**

<b>PROCEDURE</b>		<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
Independent Reviewer _____						Date _____

**HOSPITAL****June 30, 2004****INSURANCE AND SELF INSURANCE**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<b>Financial Statement Assertions:</b> <b>1. Existence and Occurrence</b> <b>2. Completeness</b> <b>3. Rights and Obligations</b> <b>4. Valuation and Allocation</b> <b>5. Presentation and Disclosure</b> <b>Audit Objectives:</b> <b>A. Claims paid in the period are recorded correctly as to account, amount, and period and are disbursed in accordance with the Hospital's policies and procedures for claims settlement. (1,3,4)</b> <b>B. Reserves for claim losses represent a reasonable estimate of the Hospital's liability for claims filed and incurred but not reported (IBNR) claims. (1,2,3,4)</b> <b>C. Insurance (self-insurance) revenues, operating transfers, expenditures, assets, liabilities, and fund equity are properly classified and described in the fund financial statements and related disclosures are adequate. (5)</b> <b>D. The Hospital has complied with applicable laws and regulations.</b> <b>Audit Procedures:</b> <b>A. Inquire about the Hospital's policies and procedures for administering and financing insurance claims, including whether insurance policies are carried for complete coverage of some or all risks, or only for excess liabilities.</b> <b>B. Prepare a workpaper to summarize amount and type of significant coverage. Review coverage to:</b> 1. Determine if reasonable and current. 2. Determine significant areas in which risk is retained. <b>C. Verify and review surety bond and malpractice coverage for adequacy and reasonableness for all officials and employees.</b> <b>D. If a separate Insurance Fund has been established, consider analytical procedures such as comparing claims expenditures and other fund transactions (i.e. employee contributions, insurance premiums, and administrative fees) to the prior period actual and relate to the number of covered employees (if applicable).</b> <b>E. Review charges by the Insurance Fund to other funds and determine if they are in accordance with GASB 10 (GASB Codification, Section C50.121-126):</b> 1. May use any method to allocate loss expenditures/expenses to other funds of the entity. Transactions that constitute reimbursements of the Unrestricted Fund for expenditures/expenses initially made from it that are properly applicable to another fund should be reported as					
	A,B				
	A				
	B				

**HOSPITAL****June 30, 2004****INSURANCE AND SELF INSURANCE**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<p>expenditures or expenses in the reimbursing fund and as reductions of the expenditure/expense in the Unrestricted Fund. However, if total amount charged to other funds (including charges to unrestricted current fund) exceed claims expenditures, the excess should be reported as non-mandatory transfers.</p> <p>F. Review estimates of losses from claims with a responsible official and determine if properly recorded as an expenditure/expense and liability. Estimates should include:</p> <ol style="list-style-type: none"> <li>1. Reported claims that meet criteria of FASB 5 and GASB Codification, Section C50.110-120.</li> <li>2. Incurred but not reported (IBNR) claims that meet criteria of FASB 5. Determine that the basis used to estimate IBNR claims is reasonable.</li> <li>3. If the Hospital participates in a public entity risk pool and is subject to a supplemental premium assessment, an accrual should be made if the likelihood of such assessment meets criteria of FASB 5.</li> <li>4. If the Hospital participates in a public entity risk pool but is not subject to a supplemental premium assessment, review economic viability of pool with responsible official and determine if liability should be recorded based on certain conditions.</li> <li>5. If the Hospital participates in a public entity risk pool, inquire with responsible official about the Hospital's plans for continuing its participation into the pool. If the Hospital has plans to terminate its membership, determine if additional liabilities should be recorded based on terms of the agreement to participate.</li> </ol> <p>G. If the Hospital has a self-funded health insurance plan, including self-funded deductibles:</p> <ol style="list-style-type: none"> <li>1. Obtain a copy of the actuarial report required by Chapter 509A.15 of the Code of Iowa.</li> <li>2. Examine report to determine reasonableness of reserves. Determine if additional liability should be recorded in Hospital's financial statements.</li> <li>3. Determine if copy of the actuarial opinion and annual financial report were filed with the Insurance Commissioner within 90 days of year-end.</li> <li>4. If an actuarial report was not obtained because the Hospital qualified under Chapter 509A.15(4) of the Code of Iowa, determine that a waiver was properly requested to the Iowa Insurance Division.</li> </ol> <p>H. If an outside administrator or service company is used:</p>	<p>B</p> <p>B,D</p> <p>A,B</p>				

**HOSPITAL****June 30, 2004****INSURANCE AND SELF INSURANCE**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<ol style="list-style-type: none"> <li>1. Obtain a copy of the annual report on the status of the program.</li> <li>2. Review report for estimates of liabilities for claims filed and IBNR claims.</li> <li>3. Compare report with prior periods and discuss any unusual variances with responsible official.</li> <li>4. Compare amounts in report with recorded estimated liabilities.</li> </ol> <p>I. Determine adequacy of financial statement presentation and disclosures.</p> <ol style="list-style-type: none"> <li>1. Financial statement presentation considerations should include: <ol style="list-style-type: none"> <li>a. If a single fund is used to record risk financing activities, should be Unrestricted Fund.</li> <li>b. If the Hospital participates in a public entity risk pool in which there is no transfer of risk to the pool or pool participants, contributions to the pool should be reported as either deposits (if not expected to pay claims) or as reductions of claims liability (if used to pay claims) in accordance with GASB 10 (GASB Codification, Section C50.135) and Statement of Position (SOP) 98-7.</li> <li>c. If the Hospital made contributions to a public entity risk pool with transfers or pooling of risk. <ol style="list-style-type: none"> <li>1) Determine contributions are recorded as deposits if a return of those contributions is probable.</li> <li>2) If not probable, then determine contributions are recorded as prepaid insurance to be allocated as expenditures/expenses over future periods.</li> </ol> </li> </ol> </li> <li>2. Disclosures should include: <ol style="list-style-type: none"> <li>a. Description of risks of loss the entity is exposed to and ways in which those risks are handled (i.e., purchase of commercial insurance, participation in a public entity risk pool, or risk retention). Describe significant reductions, if any, in insurance coverage from the previous year by major category of risk, and any settlements in excess of insurance coverage in any of the prior three fiscal years.</li> <li>b. If the Hospital participates in a public entity risk pool, describe the nature of participation and rights and responsibilities of the entity and the pool.</li> <li>c. If the Hospital retains some risk of loss, include the additional disclosures required by GASB 10 (GASB Codification, Section C50.144(d)).</li> </ol> </li> </ol>	C				

HOSPITAL \_\_\_\_\_

June 30, 2004

INSURANCE AND SELF INSURANCE

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
J. Determine if the risk of material misstatement due to fraud has changed based on results of substantive tests performed. If so, perform appropriate procedures.					
ALTERNATE/ADDITIONAL PROCEDURES:					
CONCLUSION: We have performed procedures sufficient to achieve the audit objectives for insurance and self-insurance, and the results of these procedures are adequately documented in the accompanying workpapers.					
Incharge _____					
Date _____					



**HOSPITAL** \_\_\_\_\_

**June 30, 2004**

**INSURANCE AND SELF INSURANCE**

<b>PROCEDURE</b>		<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
Manager _____	Date _____					
Independent Reviewer _____	Date _____					

**HOSPITAL** \_\_\_\_\_**June 30, 2004****BUDGETS**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<b>Audit Objectives:</b>  <b>A. The annual operating budget, and amendments thereto are properly prepared, documented and approved.</b> <b>B. Budgetary comparisons are properly included in the appropriate financial statements and schedules of governmental funds for which an annual budget has been adopted.</b>  <b>Audit Procedures:</b> A. Obtain a copy of the adopted budget certificate summary. B. Obtain a copy of each budget amendment and certification resolution, including the purpose of the amendment. C. Examine proof of publication for published budget and reconcile to adopted budget. D. Compare property tax askings between published budget and budget certificate summary to determine tax askings were not increased after publication in accordance with Chapter 24.15 of the Code of Iowa. E. Examine proof of publication for each published budget amendment and reconcile to adopted amendment. F. Determine that hearings were held and publications were made in accordance with Chapter 24.9 of the Code of Iowa. G. Determine accuracy of budget amendments. H. Determine if amendments were adopted before disbursements exceeded the budget. I. Was amendment adopted by May 31 as required by Chapter 24.9 of the Code of Iowa? J. If not, was amendment protested? K. If protested, was Appeal Board decision reached before June 30? L. Prepare a workpaper to compare disbursements by statutory funds with the budget or amended budget and document any overexpenditures. M. Determine if the president and secretary certified, at its regular February meeting, the amount necessary for improvement and maintenance of the Hospital and for support of ambulance service to the County Auditor before March 1 <sup>st</sup> , in accordance with Chapter 347.13(9) of the Code of Iowa. N. Determine if a statement of all receipts and expenditures from the preceding fiscal year was made available to the County Board of Supervisors as required by Chapter 347.13(10) of the Code of Iowa.	B				

**June 30, 2004**

## BUDGETS

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
O. Determine if the risk of material misstatement due to fraud has changed based on results of substantive tests performed. If so, perform appropriate procedures.					
<u>ALTERNATE/ADDITIONAL PROCEDURES:</u>					
<u>CONCLUSION:</u>  We have performed procedures sufficient to achieve the audit objectives for budgets, and the results of these procedures are adequately documented in the accompanying workpapers.					
Incharge _____ Date _____ Manager _____ Date _____ Independent Reviewer _____ Date _____					

**HOSPITAL** \_\_\_\_\_**June 30, 2004****SINGLE AUDIT**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<b>Audit Objectives:</b> <p><b>A. Federal revenues and expenditures are valid and complete and, if applicable, indirect costs are allocated properly.</b></p> <p><b>B. Federal revenues and expenditures are properly presented in the financial statements.</b></p> <p><b>C. The Hospital has complied with laws and regulations affecting the expenditure of grant funds.</b></p> <p><b>Note: Programmatic requirements are unique to each federal program and can be found in the laws, regulations, and provisions of contract and grant agreements pertaining to the program. For programs listed in the compliance supplement, the programmatic requirements can be found in Part 4. For those not covered in the compliance supplement, review Part 7 of the supplement.</b></p> <p><b>Audit Procedures:</b></p> <p>A. Review applicable reference material:</p> <ol style="list-style-type: none"> <li>1. OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.</li> <li>2. OMB Circular A-133 Compliance Supplement.</li> <li>3. OMB Circular A-102 (Revised), Grants and Cooperative Agreements with State and Local Governments (March 3, 1988).</li> <li>4. OMB Circular A-21, Cost Principles for Educational Institutions. (Revised July 1993)</li> <li>5. OMB Circular A-88, Indirect Cost Rates, Audit and Audit Follow-Up at Educational Institutions.</li> <li>6. Statement on Auditing Standards (SAS) No. 74, Compliance Auditing Considerations in Audits of Governmental Entities and Other Recipients of Governmental Financial Assistance (AICPA, Professional Standards, vol.1, AU801).</li> <li>7. GAO <u>Government Auditing Standards</u> (the Yellow Book), 1994 revision.</li> <li>8. Federal Cognizant Agency Audit Organization Guidelines (the Orange Book) Revised November 1987.</li> <li>9. AICPA Audit Guide, Audits of State and Local Governmental Units.</li> <li>10. OMB Catalog of Federal Domestic Assistance.</li> <li>11. Applicable sections of the Code of Federal Regulations.</li> </ol>					

**HOSPITAL** \_\_\_\_\_**June 30, 2004****SINGLE AUDIT**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<p>B. Obtain or prepare a Schedule of Expenditures of Federal Awards. If prepared by auditor, determine that independence will not be impaired. The schedule should include:</p> <ol style="list-style-type: none"> <li>1. Federal grantor or pass-through agency, if applicable.</li> <li>2. Program name.</li> <li>3. CFDA number.</li> <li>4. Grant number.</li> <li>5. Program or award amount.</li> <li>6. Program disbursements/expenditures (for cash awards) or value of non-cash assistance (for non-cash awards).</li> <li>7. All programs completed and/or terminated during the year and all programs open without monies being received or expended during the audit period.</li> </ol> <p>C. Determine that each program's name and CFDA number reported on the Schedule of Expenditures of Federal Awards agrees with the CFDA Agency Program Index.</p> <p>D. Reconcile appropriate amounts on the Schedule of Expenditures of Federal Awards to amounts in the financial statements and to amounts in the accounting records and document accordingly.</p>	A				
<p>E. For each major program, obtain the following information:</p> <ol style="list-style-type: none"> <li>1. Grant agreement, application or pass-through agreement and any amendments.</li> <li>2. Pertinent correspondence, including budget and program modifications.</li> <li>3. Financial reports.</li> <li>4. Reference material for clarification of grant/program audit objectives and compliance requirements.</li> <li>5. Identification of subrecipients, if applicable.</li> <li>6. Basis of accounting.</li> <li>7. Contact person.</li> <li>8. Account codes used to account for program activities.</li> <li>9. Names and addresses of grantors (direct and indirect).</li> </ol> <p>F. Include copies of pertinent information relating to major programs in the permanent file.</p>	A				
G. Search for unlisted federal programs not previously identified.	A				
H. Review prior year audit reports to determine the nature of previous findings and questioned costs. Document the status of resolved and unresolved issues in the workpapers.					

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<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
Status will be included in the Hospital's report in a Summary Schedule of Prior Audit Findings.	C				
I. If applicable, send a letter of understanding to the cognizant agency.					
J. Compliance testing for major programs	C				
1. Test compliance with applicable common requirements. (See following separate audit program sections.)					
2. Review Compliance Supplement for any special tests and provisions and perform appropriate procedures to ensure compliance.					
3. Report the following items in the Schedule of Findings and Questioned Costs in accordance with Circular A-133 (par. 510):					
a. Reportable conditions in internal control over major programs.					
b. Material non-compliance with the provisions of laws, regulations, contracts, or grant agreements related to a major program.					
c. Known or likely questioned costs which are greater than \$10,000 for a type of compliance requirement for a major program. (Should include information to provide proper perspective for judging the prevalence and consequences of the questioned costs)					
d. Known questioned costs which are greater than \$10,000 for a type of compliance requirement for a federal program which is not audited as a major program. (Note: except for audit follow-up, the auditor is not required to perform audit procedures for such federal programs)					
e. The circumstances concerning why the auditor's report on compliance for major programs is other than an unqualified opinion, unless such circumstances are otherwise reported as findings.					
f. Known fraud affected a federal award, unless such fraud is otherwise reported as a finding.					
g. Instances where the results of audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee materially misrepresent the status of any prior audit finding.					
4. Report other findings in Part IV of the Schedule of Findings and Questioned Costs.					

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**COMMON REQUIREMENTS**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<p>The following applicable common requirements should be tested in conjunction with the other tests of detail or through other appropriate tests:</p> <p>A. <u>ACTIVITIES ALLOWED OR UNALLOWED</u>:</p> <ol style="list-style-type: none"> <li>1. Identify the types of activities allowed and unallowed for the program(s) tested.</li> <li>2. If allowability is determined based upon summary level data, verify allowability of the activity and that individual transactions were properly classified and accumulated into the activity level.</li> <li>3. If allowability is determined based upon individual transactions, select a sample of transactions and verify allowability of the activity. Be alert for any large dollar transfers from program accounts which may have been used to fund unallowable activities.</li> <li>4. If the agency under audit is considered a pass-through entity, test a sample of approved subrecipient agreements to verify that the activities covered by the agreement are allowable.</li> </ol> <p>B. <u>ALLOWABLE COSTS/COST PRINCIPLES</u>:</p> <ol style="list-style-type: none"> <li>1. For transactions selected which involve federal funds determine whether the costs meet the following criteria: <ol style="list-style-type: none"> <li>a. Authorized or not prohibited under state or local laws or regulations. (Certain costs require specific approval; others are not allowable.)</li> <li>b. Approved by the federal awarding agency, if required.</li> <li>c. Conform to any limitations or exclusions set forth in the Circular (A-87, A-21, A-122), or limitations in the program agreement or specific requirements in the program regulations.</li> <li>d. Costs must be allocable to the federal awards under the provisions of OMB's cost principal Circulars (A-87, A-21, A-122).</li> <li>e. Represent charges for actual costs, not budgeted or projected amounts.</li> <li>f. Allocations of fringe benefits allocations, changes or rates are based on the benefits received by different classes of employees within the organization.</li> <li>g. Given consistent treatment with policies, regulations, and procedures applied uniformly to federal and non-federal activities of the agency.</li> </ol> </li> </ol>					



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<ul style="list-style-type: none"> <li>h. Given consistent accounting treatment within and between accounting periods and not allocable to or included as a direct cost of a federal program if the same or similar costs are allocated to the federal program as an indirect cost.</li> <li>i. Calculated in conformity with generally accepted accounting principles or other comprehensive basis of accounting, when required under the cost principles circulars.</li> <li>j. Not included as a cost or used to meet cost sharing or matching requirements of another federally supported activity in either the current or a prior period.</li> <li>k. Costs must be net of all applicable credits that result from transactions that reduce or offset direct or indirect costs.</li> <li>l. Not included as both a direct billing and a component of indirect costs, i.e., excluded from costs pools included in cost allocation plans (CAPS.)</li> <li>m. Supported by underlying documentation.</li> </ul> <p>2. When material charges are made from internal service, central service, pension, or similar activities or funds, verify that the charges from these activities or funds are in accordance with the cost principal circulars.</p> <ul style="list-style-type: none"> <li>a. For activities accounted for in separate funds, ascertain if: <ul style="list-style-type: none"> <li>1) Retained earnings/fund balances (including reserves) were computed in accordance with the applicable cost principles.</li> <li>2) Working capital was not excessive in amount (generally not greater than 60 days for cash expenses for normal operations incurred for the period exclusive of depreciation, capital costs and debt principal costs.</li> <li>3) Refunds were made to the federal government for its share of any amounts transferred or borrowed from internal service or central service funds for purposes other than to meet the operating liabilities, including interest on debt, of the fund.</li> </ul> </li> <li>b. Verify that all users of services were billed in a consistent manner.</li> </ul>					

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<p>c. Verify the billing rates exclude unallowable costs.</p> <p>d. Verify, where billing rates are not accounted for in separate funds, that billing rates are developed based on actual costs and were adjusted to eliminate profit.</p> <p>e. For organizations that have self-insurance and a certain type of fringe benefit program (e.g. pension funds), verify that independent actuarial studies appropriate for such activities are performed at least biennially and that current costs were allocated based on an appropriate study which is not over two years old.</p> <p>3. Cost Allocation Plans/Indirect Cost Rate Agreements:</p> <p>Determine whether material indirect costs or centralized or administrative services are being charged to federal programs. If such costs are being charged, perform the following procedures:</p> <p>a. Obtain and read the current Cost Allocation Plan (CAP) or negotiable agreement and determine the types of rates and procedures required.</p> <p>b. Obtain and read the Current CAP and/or Indirect Cost Rate Agreement and determine the terms of the allocation plan and/or rate agreement in effect (i.e. predetermined, fixed with carryforward provisions or provisional/final).</p> <p>c. Verify the methods of charging costs to federal awards are in accordance with the provisions of the approved CAP or prepared CAP on file.</p> <p>d. Determine whether the CAPs or Indirect Cost Rate Proposals (IDCRPs) have been approved by the appropriate federal agency and whether the resultant rates or amounts charged are final or still open to adjustment or revision, either immediately or as a carry over adjustment in a future period. If approved and final, the results of the audit work shall be reflected, if appropriate, in recommendations for future procedural improvements.</p> <p>e. Examine claims submitted to the federal agency for reimbursement. Determine if the amounts charged and rates used are in accordance with the plan and if rates are being applied to the appropriate base.</p> <p>f. Review, on a test basis, supporting documentation to determine whether:</p>					

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<ol style="list-style-type: none"> <li>1) The indirect cost pool or centralized service costs contain only allowable costs in accordance with the application of OMB's cost principles Circulars (A-87, A-21, A-122).</li> <li>2) The methods of allocating the costs are in accordance with the provisions of Circular A-87, other applicable regulations and negotiated agreements.</li> <li>3) Statistical data in the proposed allocation or rate bases are reasonable, updated as necessary and do not contain any material omissions.</li> <li>4) Time studies or time and effort reports are mathematically and statistically accurate, are implemented as approved, and are based on the actual effort devoted to the various functional and programmatic activities to which the salary and wage costs are charged.</li> <li>5) The allocation methodology is consistent and test the appropriateness of methods used to make changes.</li> <li>6) The indirect costs charged to federal programs are supported by amounts recorded in the accounting records from which the most recently issued financial statements were prepared.</li> </ol>					
<b>C. <u>CASH MANAGEMENT:</u></b>					
<ol style="list-style-type: none"> <li>1. Review the Hospital's cash advancement or reimbursement process(es) and evaluate for adequacy.</li> <li>2. If an advancement method is used, review the Hospital's system to determine if it is adequate to limit the amount of federal cash to immediate needs.</li> <li>3. If a reimbursement method is used, review the Hospital's system to determine if it is adequate to ensure the requests are properly supported and made in a timely manner.</li> <li>4. For selected grant programs, determine dates and amounts for selected advances or reimbursements, of federal funds and compare to the dates the funds were disbursed and/or checks were presented to the banks for payment.</li> <li>5. For the same programs, evaluate the size of the balances in relation to the program's needs.</li> </ol>					

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<p>6. Review records to determine if interest was earned on advances and whether it was returned to the appropriate agency.</p> <p>7. Review the Hospital's system for monitoring advances and payment requests by secondary recipients. Evaluate whether the system is sufficient to limit payments to amounts needed to meet immediate cash requirements.</p> <p>8. Review selected cash reports submitted by subrecipients and determine if the reports show large amounts of excess cash. If they do, ascertain why.</p> <p>D. <u>DAVIS-BACON ACT:</u></p> <p>1. Identify the programs involving construction activities.</p> <p>2. Review selected construction contracts and subcontracts and determine whether they contain provisions requiring the payment of "prevailing" wages. This is applicable to all construction contracts which exceed \$ 2,000.</p> <p>3. Review the Hospital's system for monitoring applicable contractors and subcontractors with respect to payment of prevailing wages and evaluate for adequacy.</p> <p>4. Review the monitoring system for contracts for selected programs and determine whether there is adherence to the prescribed procedures.</p> <p>5. Examine a sample of contractor or subcontractor payroll submissions and certifications and determine if such submissions indicate that laborers and mechanics were paid the prevailing wage rates established by the Department of Labor for the locality.</p> <p>6. For Hospitals which have not developed a system, or whose system is not operating effectively:</p> <p>a. Obtain the "local" DOL wage determination from the recipient, the architect/engineer (A/E) managing the project, or DOL.</p> <p>b. Obtain from the client, payroll registers of the construction company and test to determine whether wages paid conform to prevailing wages.</p> <p>E. <u>ELIGIBILITY:</u></p> <p>1. Individuals:</p> <p>a. For some federal programs with a large number of individuals receiving benefits, the Hospital may use a computer system for the processing of individual eligibility determinations and the delivery of benefits. Generally accepted auditing standards provide</p>					

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<p>guidance for the auditor when computer processing relates to accounting information that can materially affect the financial statements being audited. When eligibility is material to a major program, and a computer system is integral to eligibility compliance, the auditor should follow this guidance and consider the Hospital's computer processing.</p> <ol style="list-style-type: none"> <li>1) Perform audit procedures relevant to the computer system as needed to support the opinion on compliance for the major program.</li> <li>2) These tests may be performed as part of testing the internal controls for eligibility.</li> </ol> <ol style="list-style-type: none"> <li>b. Perform procedures to determine completeness of the population.</li> <li>c. Select a sample of individuals receiving benefits and perform tests to determine if the: <ol style="list-style-type: none"> <li>1) Individuals were eligible in accordance with the compliance requirements of the program. (Note: Some programs have initial and continuing eligibility requirements.)</li> <li>2) Benefits paid to or on the behalf of the individuals were calculated correctly and in compliance with the requirements of the program.</li> <li>3) Benefits were discontinued when the period of eligibility expired, or if the person became ineligible.</li> </ol> </li> </ol> <ol style="list-style-type: none"> <li>2. Group of Individuals or Area of Service Delivery: <ol style="list-style-type: none"> <li>a. Test information used in determining eligibility and determine if the population or area of service delivery was eligible.</li> <li>b. Perform test to determine if: <ol style="list-style-type: none"> <li>1) The population or area served were eligible.</li> <li>2) The benefits paid to or on behalf of the individuals or area of service delivery were calculated correctly.</li> </ol> </li> </ol> </li> <li>3. Subrecipients: <ol style="list-style-type: none"> <li>a. If the determination of eligibility is based on an approved application or plan, obtain a copy of the document and identify the applicable eligibility requirements.</li> <li>b. Select a sample of the awards to the subrecipients and perform procedures to verify that the subrecipients</li> </ol> </li> </ol>					

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were eligible and amounts awarded were within funding limits.					

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<p>F. <u>EQUIPMENT AND REAL PROPERTY:</u></p> <ol style="list-style-type: none"> <li>1. For subrecipients of states that are local governments: <ol style="list-style-type: none"> <li>a. Obtain a copy of the Hospital's policies and procedures for equipment management and determine if they comply with the state's policies and procedures.</li> <li>b. Select a sample of equipment transactions and test for compliance with the state's policies and procedures for management and disposition of equipment.</li> </ol> </li> <li>2. For non-profit organizations and federal awards received directly from a federal awarding agency by the Hospital: <ol style="list-style-type: none"> <li>a. Inquire if a required physical inventory of equipment acquired under federal awards was taken within the last two years. Test whether any differences between the physical inventory and equipment records were resolved.</li> <li>b. Identify equipment acquired under federal awards during the audit period and trace selected purchases to the property records. Verify that the property records contain the following information about the equipment: <ol style="list-style-type: none"> <li>1) Description (including serial numbers, or other identification numbers).</li> <li>2) Source.</li> <li>3) Title holder.</li> <li>4) Acquisition date and cost.</li> <li>5) Percentage of federal participation in the cost.</li> <li>6) Location.</li> <li>7) Condition.</li> <li>8) Ultimate disposition data including date of disposal, sale price or method used to determine fair market value.</li> </ol> </li> </ol> </li> <li>3. Select a sample of equipment identified as acquired with federal awards from the property records and observe the equipment.</li> <li>4. Disposition of Equipment <ol style="list-style-type: none"> <li>a. Determine the amount of equipment dispositions for the year and identify equipment acquired with federal awards.</li> <li>b. Perform procedures to verify that the dispositions were properly reflected in the property records.</li> </ol> </li> </ol>					

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<p>c. For equipment with a current per-unit fair market value in excess of \$5,000, determine whether the awarding agency was reimbursed for the appropriate federal share.</p> <p>5. Disposition of Real Property ( applicable to all entities):</p> <p>a. Determine real property dispositions for the audit period and identify property acquired with federal awards.</p> <p>b. Perform procedures to verify that the Hospital followed the instructions of the awarding agency which will normally require reimbursement to the awarding agency of the federal portion of net sales or fair market value at the time of disposition, as applicable.</p> <p>G. <u>MATCHING, LEVEL OF EFFORT, EARMARKING:</u></p> <ul style="list-style-type: none"> <li>• <b>Matching - includes requirements to provide contributions (usually non-federal) of a specified amount or percentage to match federal awards. Match may be in the form of cash or in-kind contributions.</b></li> <li>• <b>Level of Effort - includes requirements for (a) a specified level of service to be provided from period to period, (b) a specified level of expenditures from non-federal or federal sources for specified activities to be maintained from period to period, and (c) federal funds to supplement and not supplant non-federal funding of services.</b></li> <li>• <b>Earmarking - includes requirements that specify the minimum and/or maximum amount or percentage of the programs funding that must/may be used for specified activities, including funds provided to Subrecipients.</b></li> </ul> <p>Matching:</p> <ol style="list-style-type: none"> <li>1. Perform test to verify that the required matching contributions were met.</li> <li>2. Determine the sources of matching contributions and perform tests to verify that they were from an allowable source.</li> <li>3. Test records to corroborate that the value placed on in-kind contributions are in accordance with OMB cost principal circulars, the A-102 Common Rule, program regulations and the terms of the award.</li> <li>5. Test transactions used to match for compliance with allowable costs/cost principles requirements. This test</li> </ol>					



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<p>may be performed in conjunction with the testing of the requirements related to allowable cost/cost principles.</p> <p>Level of Effort:</p> <ol style="list-style-type: none"> <li>1. Identify the required level of effort and perform tests to verify that the level of effort requirement was met.</li> <li>2. Perform tests to verify that only allowable categories of expenditures or other effort indicators (e.g., hours, number of people served), were included in the computation and that the categories were consistent from year to year.</li> <li>3. Perform procedures to verify that the amounts used in the computation were derived from the books and records from which the audited financial statements were prepared.</li> <li>4. Perform procedures to verify that non-monetary effort indicators were supported by official records.</li> </ol> <p>Level of Effort - Supplement not Supplant:</p> <ol style="list-style-type: none"> <li>1. Determine if the Hospital used federal funds to provide services which they were required to make available under federal, state or local law and were also made available by funds subject to the supplement not supplant requirement.</li> <li>2. Determine if the Hospital used federal funds to provide services which were provided with non-federal funds in the prior years. <ol style="list-style-type: none"> <li>a. Identify the federally funded services</li> <li>b. Perform procedures to determine whether the federal program funded services that were previously provided with non-federal funds.</li> <li>c. Perform procedures to determine if the total level of services applicable to the requirement increased in proportion to the level of federal contribution.</li> </ol> </li> </ol> <p>Earmarking:</p> <ol style="list-style-type: none"> <li>1. Identify the applicable percentage or dollar requirements for earmarking.</li> <li>2. Perform procedures to verify that the amounts recorded in the financial records meet the requirements (e.g. minimum amounts determine that records show at least the minimum was charged.)</li> <li>3. When requirements specify a minimum percentage or amount, select a sample of transactions supporting the</li> </ol>					

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<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<p>specified amount or percentage and perform tests to verify proper classification to meet the minimum percentage or amount.</p> <p>4. When requirements specify a maximum percentage or amount, review the financial records to identify transactions for the specified activity which were improperly classified in another account. (e.g. administrative costs are limited to 10% review other accounts charged to the activity for administrative expense which, if incorrectly coded, which would cause maximum percentage to be exceeded).</p> <p>H. <u>PERIOD OF AVAILABILITY OF FEDERAL FUNDS:</u></p> <p>1. Review the award documents and regulations pertaining to the program and determine any award specific requirements related to the period of availability and document the availability period.</p> <p>2. Test a sample of transactions charged to the federal award after the end of the period of availability and verify that the underlying obligations occurred within the period of availability and that the payment was made within the allowed time period.</p> <p>3. Test a sample of transactions that were recorded during the period of availability and verify that the underlying obligations occurred within the period of availability.</p> <p>4. Select a sample of adjustments to the federal funds and verify that these adjustments were for transactions that occurred during the period of availability.</p> <p>I. <u>PROCUREMENT AND SUSPENSION AND DEBARMENT:</u></p> <p>For non-profit organizations and federal awards received directly from a federal awarding agency by the Hospital:</p> <p>1. Obtain the Hospital's procurement policies and verify that the policies comply with applicable federal requirements.</p> <p>2. Determine if the Hospital has a policy to use statutorily or administratively imposed in-state or local geographical preferences in the evaluation of bids or proposals. If such policy exists, verify that these limitations were not applied to federal procurements except where applicable federal statutes expressly mandate or encourage geographical preference.</p> <p>3. Examine procurement policies and procedures and verify the following:</p> <p>a. Written selection procedures require that solicitations incorporate a clear and accurate description of the</p>					

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<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<p>technical requirements for the material, product, or service to be procured, identify all requirements that the offer must fulfill, and include all other factors to be used in evaluating bids or proposals.</p> <p>b. There is a written policy pertaining to ethical conduct.</p> <p>4. Select a sample of procurements and perform the following:</p> <p>a. Examine contract files and verify that they document the significant history of the procurement, including rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis of contract price.</p> <p>b. Verify that procedures provide for full and open competition.</p> <p>c. Examine documentation in support of the rationale to limit competition in those cases where competition was limited and determine if the limitation was justified.</p> <p>d. Examine contract files and determine that a cost or price analysis was performed in connection with procurement actions, including contract modifications and that this analysis supported the procurement action.</p> <p>e. Verify that the awarding federal agency approved procurements exceeding \$100,000 when such approval was required. Procurements (1) awarded by non-competitive negotiations, (2) awarded when only a single bid or offer was received (3) awarded to other than the apparent low bidder, or (4) specifying a "brand name" product require prior federal awarding agency approval.</p> <p><i>The following only apply to states and federal awards subgranted by the state to the Hospital.</i></p> <p>1. Test a sample of procurements to determine if the state's laws and procedures were followed and that the policies and procedures used were the same as for state funds.</p> <p><i>The following procedure applies to all non-federal entities.</i></p> <p>1. Test a sample of procurements and subawards and determine if the required suspension and debarment certifications were received for subawards and covered contracts. Alternately, select a sample of procurements and subawards and determine that parties are not included on the <u>List of Parties Excluded From Federal</u></p>					

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<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<p><u>Procurement or Non-procurement Programs</u>, issued by the General Services Administration.</p> <p>J. <u>PROGRAM INCOME</u>:</p> <ol style="list-style-type: none"> <li>1. Identify any program income.               <ol style="list-style-type: none"> <li>a. Review laws and regulations, the provisions of contract, and grant agreements applicable to the program and determine if program income was anticipated and, if so, the requirements for recording and using program income.</li> <li>b. Inquire of management and review accounting records to determine if program income was received.</li> </ol> </li> <li>2. Perform tests to verify that all program income was properly recorded in the accounting records.</li> <li>3. Perform tests to determine if program income was used in accordance with the program requirements.</li> </ol> <p>K. <u>REAL PROPERTY ACQUISITION AND RELOCATION ASSISTANCE</u>:</p> <ol style="list-style-type: none"> <li>1. Determine whether the Hospital is administering a federal or federally-assisted program that involves the acquisition of property or the displacement of households or businesses.</li> <li>2. Property Acquisition:               <ol style="list-style-type: none"> <li>a. Appraisal - test records to verify:                   <ol style="list-style-type: none"> <li>1) The just compensation amount offered the property owner was determined by an appraisal process.</li> <li>2) The appraisal(s) was examined by a review appraiser.</li> <li>3) The review appraiser prepared a signed statement which explains the basis for adjusting comparable sales to reach the review appraiser's determination of the fair market value.</li> </ol> </li> <li>b. Negotiations - verify from supporting documentation that:                   <ol style="list-style-type: none"> <li>1) A written offer of the appraised value was made to the property owner.</li> <li>2) A written justification was prepared if the purchase price for the property exceeded the amount offered and that the documentation (e.g. recent court awards, estimated trial cost</li> </ol> </li> </ol> </li> </ol>					

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**COMMON REQUIREMENTS**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<p>ext.) supports such administrative settlement as being reasonable, prudent, and in the public interest.</p> <p>c. Residential Relocations - verify from supporting documentation that the Hospital made available to the displaced persons one or more comparable replacement dwellings.</p> <p>3. Replacement Housing Payments - Examine the Hospital's records to verify and determine if there is documentation that supports the following:</p> <p>a. The owner occupied the displacement dwelling for at least 180 days immediately prior to initiation of negotiations.</p> <p>b. The Hospital examined at least three comparable replacement dwellings available for sale and computed the payment on the basis of the price of the dwelling most representative of the displacement dwelling.</p> <p>c. The asking price for the comparable dwelling was adjusted, to the extent justified by local market data, to recognize local area selling price reductions.</p> <p>d. The allowance for increased mortgage costs "buy down" amounts was computed based on the remaining principal balance, the interest rate, and the remaining term of the old mortgage on the displacement dwelling.</p> <p>e. The Hospital prepared written justification on the need to employ last resort housing provisions, if the total replacement housing payment exceeded \$22,500.</p> <p>4. Rental or Downpayment Assistance - Examine the Hospital's records to determine if there is documentation that supports the following:</p> <p>a. The displacee occupied the displacement dwelling for at least 90 days immediately prior to initiation of negotiations.</p> <p>b. The displacee rented, or purchased, and occupied a decent, safe, and sanitary replacement dwelling within one year.</p> <p>c. The Hospital prepared written justification if the payment exceeded \$5,250.</p> <p>5. Business Relocations</p> <p>a. Moving expenses - Verify that payments for moving and related expenses were for actual costs incurred</p>					

**HOSPITAL** \_\_\_\_\_**June 30, 2004****SINGLE AUDIT  
COMMON REQUIREMENTS**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<p>or that fixed payments, in lieu of actual costs, were limited to a maximum of \$20,000 and computed based on the average annual net earnings of the business as evidenced by income tax returns, certified financial statements, or other reliable evidence.</p> <p>b. Business Reestablishment Expense - Verify that (1) the displacee was eligible as a farm operation, non-profit organization, or a small business to receive reestablishment assistance, and (2) the payment was for actual costs incurred and did not exceed \$10,000.</p> <p>L. <u>REPORTING:</u></p> <ol style="list-style-type: none"> <li>1. Review applicable laws, regulations, and the provisions of contract and grant agreements pertaining to the program for reporting requirements.</li> <li>2. Determine the types and frequency of required reports.</li> <li>3. Obtain and review instructions from the federal awarding agency, or pass-through entity in the case of a subrecipient, for completing the reports. <ol style="list-style-type: none"> <li>a. For financial reports, determine the accounting basis used in reporting the data (i.e. cash or accrual)</li> <li>b. For performance and special reports, determine the criteria and methodology used in compiling and reporting the data.</li> </ol> </li> <li>4. Perform appropriate analytical procedures and determine the reason for any unexpected differences. Examples of analytical procedures include: <ol style="list-style-type: none"> <li>a. Comparing current period reports to prior periods</li> <li>b. Comparing anticipated results to the data included in the reports</li> <li>c. Comparing information obtained during the audit of the financial statements to the report.</li> </ol> </li> <li>5. Select a sample of each of the following report types. <ol style="list-style-type: none"> <li>a. Financial reports: <ol style="list-style-type: none"> <li>1) Determine if the financial reports were prepared in accordance with the required accounting basis.</li> <li>2) Trace the amounts reported to accounting records that support the audited financial statements and the schedule of expenditures of federal awards and verify agreement.</li> </ol> </li> </ol> </li> </ol>					

**HOSPITAL** \_\_\_\_\_**June 30, 2004****SINGLE AUDIT**  
**COMMON REQUIREMENTS**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
b. Performance reports: <ol style="list-style-type: none"> <li>1) Trace data to records that accumulate and summarize data.</li> <li>2) Perform tests of the underlying data to verify that the data were accumulated and summarized in accordance with the required or stated criteria and methodology.</li> </ol> c. When intervening computations or calculations are required between the records and the reports, trace reported data elements to supporting worksheets or other documentation that link reports to data.           d. Test mathematical accuracy of reports and supporting worksheets.           6. Test selected reports for completeness: <ol style="list-style-type: none"> <li>a. For financial reports, review accounting records and determine if all applicable accounts were included in the sampled reports.</li> <li>b. For performance and special reports, review supporting records and determine if all applicable data elements were included in the sampled report.</li> </ol> 7. Obtain written representation from management that the reports provided to the auditor are true copies of the reports submitted or electronically transmitted to the federal awarding agency or pass-through entity in the case of a subrecipient.           M. <u>SUBRECIPIENT MONITORING</u> : <ol style="list-style-type: none"> <li>1. Review Hospital's subrecipient monitoring policies and procedures and discuss with the Hospital's staff to gain an understanding of the scope, frequencies and timeliness of monitoring activities, including the number, size and complexity of awards to subrecipients.</li> <li>2. Test award documents to determine if the Hospital makes subrecipients aware of the award information and requirements imposed by laws, regulations, and the provisions of contract and grant agreements and the activities approved in the award documents were allowable.</li> <li>3. Review the Hospital's documentation of during-the-award monitoring to determine if the Hospital provides reasonable assurance that subrecipients used federal funds for authorized purposes, complied with laws and regulations, provisions of contracts and grant agreements and achieved performance goals.</li> </ol>					

**HOSPITAL** \_\_\_\_\_**June 30, 2004****SINGLE AUDIT  
COMMON REQUIREMENTS**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
4. Review the Hospital's follow up to ensure corrective action on deficiencies noted during the award monitoring. 5. Verify that the Hospital receives audit reports from subrecipients required to have an audit in accordance with OMB Circular A-133, issues management decisions on audit findings within six months after receipt of the subrecipient's audit report, and requires subrecipients to take appropriate and timely corrective action on deficiencies identified in audit findings. 6. Verify that in cases of continued inability or unwillingness of a subrecipient to have required audits, the Hospital took appropriate action using sanctions. 7. Verify that the effects of subrecipient non-compliance are properly reflected in the Hospital's records. 8. Document the Hospital's procedures for monitoring subrecipients who are not required to have an A-133 audit (total expenditures of federal awards of less than \$500,000). Verify the procedures for reasonableness and adequacy.					
<b>N. <u>SPECIAL TESTS AND PROVISIONS:</u></b>					
1. Review the laws, regulations, and provisions of grant and contract agreements to identify special tests and provisions. 2. Develop procedures to test these requirements.					



**HOSPITAL** \_\_\_\_\_**June 30, 2004****SINGLE AUDIT**  
**OTHER**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<u>MISCELLANEOUS PROVISIONS:</u>  A. If the Hospital is a pass-through agency of federal funds, ensure the appropriate revenues and expenditures are recognized in compliance with GASB 24.  B. Obtain Data Collection Form.  C. Prepare notification letters to pass-through entities not required to receive a reporting package.  D. Obtain Corrective Action Plan for Federal Audit Findings from Hospital (prepared on Hospital letterhead)  E. Obtain Summary Schedule of Prior Federal Audit Findings from Hospital (prepared on Hospital letterhead).  F. Determine if risk of material misstatement due to fraud has changed based on results of substantive tests performed. If so, perform appropriate procedures.					

**June 30, 2004**

**SINGLE AUDIT**

[illegible]

**HOSPITAL** \_\_\_\_\_**June 30, 2004****MISCELLANEOUS**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<b>Audit Objectives:</b> <b>A. The Hospital complied with other statutory requirements.</b> <b>Audit Procedures:</b> A. Vehicle Usage <ol style="list-style-type: none"> <li>1. Determine if the Hospital provides vehicles for employee use.</li> <li>2. Obtain a copy of the Hospital's policy regarding vehicle usage. Identify specifics for: <ol style="list-style-type: none"> <li>a. Incidental personal use.</li> <li>b. Commuting.</li> <li>c. Assignment of vehicles.</li> <li>d. Documentation required.</li> <li>e. Restricted vehicle uses.</li> <li>f. Reimbursement by employees for personal use.</li> <li>g. Additional compensation for employees.</li> <li>h. Public purpose served.</li> <li>i. Other.</li> </ol> </li> <li>3. Determine if the Hospital's procedures are adequate and reasonable to comply with: <ol style="list-style-type: none"> <li>a. Recordkeeping requirements.</li> <li>b. Taxation requirements.</li> <li>c. Public purpose requirements.</li> </ol> </li> </ol>					

**June 30, 2004**

## MISCELLANEOUS

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<u>ALTERNATE/ADDITIONAL PROCEDURES:</u>					
<u>CONCLUSION:</u> We have performed procedures sufficient to achieve the audit objectives for miscellaneous, and the results of these procedures are adequately documented in the accompanying workpapers.					
<div style="display: flex; justify-content: space-between;"> <span>Incharge _____</span> <span>Date _____</span> </div> <div style="display: flex; justify-content: space-between;"> <span>Manager _____</span> <span>Date _____</span> </div>					

**HOSPITAL** \_\_\_\_\_

**June 30, 2004**

**MISCELLANEOUS**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
Independent Reviewer _____ Date _____					

**HOSPITAL** \_\_\_\_\_**June 30, 2004****COMPLETION OF AUDIT**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<b>Audit Objectives:</b> <b>A. Written representations have been obtained from responsible officials.</b> <b>B. Misstatements discovered during the audit have been evaluated.</b> <b>C. Financial statements are fairly presented.</b> <b>D. The effect on the auditor's report of GAAP departures, scope limitations, uncertainties, other auditors, or other matters has been evaluated.</b> <b>E. Reportable conditions have been communicated to the appropriate parties.</b> <b>F. Significant commitments, contingencies and subsequent events that may require disclosure have been identified.</b>					
<b>Audit Procedures:</b> A. Inquire as to whether all funds have been brought to our attention. B. Review ending account balances for material deficits and include comment, if appropriate, in report. Document the Hospital's plans to eliminate deficits, if any. C. In connection with litigation and claims, perform the following procedures: <ol style="list-style-type: none"> <li>1. Inquire of and discuss with management as to the policies and procedures adopted for identifying, evaluating and accounting for litigation, claims and assessments.</li> <li>2. Obtain from Hospital officials a description and evaluation of litigation, claims and assessments.</li> <li>3. Obtain assurance from management that they have disclosed all unasserted claims they have been advised by their lawyers are probable of assertion and must be disclosed in accordance with FASB 5.</li> <li>4. Evaluate any unasserted claims (as a result of uninsured losses) on the basis of: <ol style="list-style-type: none"> <li>a. Prior estimates of prior loss experience.</li> <li>b. Analyses of frequency of past claims.</li> <li>c. Actuarial considerations.</li> <li>d. Experience of similar institutions, if known.</li> </ol> </li> <li>5. Examine documents in the Hospital's possession concerning the above matters.</li> <li>6. Consider whether any other matters in addition to the above were disclosed during the course of the audit.</li> <li>7. Examine invoices for legal services to identify matters which may require additional audit procedures. Investigate and document purpose of the services.</li> </ol>	F				

**HOSPITAL** \_\_\_\_\_**June 30, 2004****COMPLETION OF AUDIT**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<p>8. Send attorney's letter to the Hospital's attorney and other lawyers consulted on significant matters during the period.</p> <p>D. Inquiry of Hospital officials about existence of material subsequent transactions or events and significant matters unresolved at year end.</p> <p>E. Scan records subsequent to period under audit for significant unusual receipts, payments and non-standard entries.</p> <p>F. Complete review of minutes through end of field work for subsequent events.</p> <p>G. Determine if footnote disclosure is needed and obtain documentation for the following items. (For entities with unusual types of activities, consider reviewing the AICPA Disclosure Checklist.)</p> <ol style="list-style-type: none"> <li>1. Lease commitments (capital and operating leases).</li> <li>2. Construction commitments.</li> <li>3. Contracts.</li> <li>4. Subsequent events.</li> <li>5. Lawsuits.</li> <li>6. Other commitments and contingencies (including outstanding indebtedness of others guaranteed by the Hospital; moral obligations; and no-commitment debt).</li> <li>7. Health insurance trust.</li> <li>8. Relationships with organizations other than component units: <ol style="list-style-type: none"> <li>a. Related organizations.</li> <li>b. Joint ventures.</li> <li>c. Jointly governed organizations.</li> <li>d. Component units and related organizations with joint venture characteristics.</li> <li>e. Pools.</li> <li>f. Undivided interests.</li> <li>g. Cost-sharing arrangements.</li> </ol> </li> <li>9. Other pertinent information.</li> </ol> <p>H. Consider whether the accumulated results of audit procedures and other observations affect the assessment of the risk of material misstatement due to fraud made when planning the audit. Document whether there is a need for additional procedures to be performed.</p>	<p>F</p> <p>F</p>				

**HOSPITAL** \_\_\_\_\_**June 30, 2004****COMPLETION OF AUDIT**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
I. Summarize and evaluate misstatements noted during the audit, including both known and likely misstatements. (SAS 98)	B				
J. Document the reconciliation of the financial statements to accounting records.					
K. Obtain Hospital's concurrence on proposed adjusting journal entries.	D				
L. Indicate whether there could be substantial doubt about the Hospital's ability to continue as a going concern.					
M. Determine and document the type of opinion rendered for each opinion unit. Document reasons for variances from unqualified opinion.					
N. Summarize reportable conditions and identify material weaknesses.					
O. Perform limited procedures to Required Supplementary (RSI), as required by SAS No. 52:					
1. Inquire of management about the methods used in preparing the information.					
2. Compare the information for consistency with management's responses to the foregoing inquiries, audited financial statements, and other knowledge obtained during the examination of the financial statements.					
3. Consider whether representation on RSI should be included in specific written representations obtained from management. (SAS 85)					
4. Apply additional procedures, if any, that other statements, interpretations, guides, or statements of position prescribe for specific types of RSI.					
5. Make additional inquiries if application of the foregoing procedures causes the auditor to believe that the information may not be measured or presented within applicable guidelines.					
P. Review the reasonableness of the Management's Discussion and Analysis which is limited to following required elements. (GASB 34 par. 11)					
1. A brief discussion of the basic financial statements, including the relationships of the statements to each other, and the significant differences in the information they provide.					
2. Condensed financial information derived from entity wide financial statements comparing the current year to the prior year.					



**HOSPITAL****June 30, 2004****COMPLETION OF AUDIT**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<p>3. An analysis of the government's overall financial position and results of operations to assist users in assessing whether financial position has improved or deteriorated as a result of the year's operation.</p> <p>4. An analysis of balances and transactions of individual funds. The analysis should address the reasons for significant changes in fund balances or fund net assets and whether restriction, commitments, or other limitations significantly affect the availability of resources for future use.</p> <p>5. An analysis of significant variations between original and final budget amounts and between final budget amounts and actual budget results for the general fund.</p> <p>6. A description of significant capital assets and long-term debt activity during the year, including commitments made for capital expenditures, changes in credit ratings, and debt limitations that may affect the financing of planned facilities or services.</p> <p>7. If applicable, a discussion of the modified approach to report some or all of the infrastructure assets.</p> <p>8. A description of currently known facts, decisions, or conditions that are expected to have a significant effect on financial position or results of operations.</p> <p>Q. Draft audit report, including opinions, financial statements, notes, supplemental information and other reports. Date of report should be the same date as the end of field work. Determine that preparation of the draft audit report will not impair independence.</p> <p>R. Perform analytical procedures for overall review of financial statements. Document the following:</p> <p>1. The adequacy of evidence gathered in response for unusual or unexpected balances identified in planning the audit or in the course of the audit.</p> <p>2. Unusual or unexpected balances or relationships that were not previously identified.</p> <p>S. Perform a retrospective review of significant accounting estimates reflected in the prior year financial statements and consider whether the underlying assumptions in the prior year indicate a possible bias on the part of management. Consider whether the results of the review provide additional information about the possible bias in making current year estimates. If possible bias is identified, evaluate whether the circumstances represent a risk of material misstatement due to fraud. (AU 316.64)</p>	C,E				

**June 30, 2004**

## COMPLETION OF AUDIT

[illegible]

**HOSPITAL** \_\_\_\_\_

**June 30, 2004**

**COMPLETION OF AUDIT**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
Independent Reviewer _____					

Date \_\_\_\_\_

**June 30, 2004**

## AUDIT AND ACCOUNTING PROBLEMS

[illegible]

**June 30, 2004**

## CONFERENCES

[illegible]

**HOSPITAL** \_\_\_\_\_

**June 30, 2004**

**CONFERENCES**

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**June 30, 2004**

[illegible]

2 – Reported in Other Findings Related to Statutory Reporting.



**June 30, 2004**

### ITEMS FOR COMMENT

[illegible]

R/C = Reportable Conditions

**June 30, 2004**

### ITEMS FOR NEXT YEAR

[illegible]

**HOSPITAL** \_\_\_\_\_

**June 30, 2004**

**ITEMS FOR NEXT YEAR**

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Name of Hospital \_\_\_\_\_

Fiscal Year Ended  
6-30-03

Opinion Unit \_\_\_\_\_

Are any of the audit differences identified above indicative of fraud?      Yes \_\_\_\_\_      No \_\_\_\_\_  
If yes, contact the Manager

	Initial	Date
Prepared By		
Prepared By		

**HOSPITAL** \_\_\_\_\_**June 30, 2004****OPINION, DISCLOSURE AND  
OTHER REPORT INFORMATION****A. Independent Auditor's Report on the financial statements:**

1. Type of opinion rendered for each opinion unit and reason for modification of opinion, if applicable :

<input type="checkbox"/> Government Activities	U	Q	D	A
<input type="checkbox"/> Business Type Activities	U	Q	D	A
<input type="checkbox"/> Additional Major Fund	U	Q	D	A
<input type="checkbox"/> Additional Major Fund	U	Q	D	A
<input type="checkbox"/> Additional Major Fund	U	Q	D	A
<input type="checkbox"/> Aggregate Remaining Fund Information	U	Q	D	A
<input type="checkbox"/> Aggregate Discretely Presented Component Units	U	Q	D	A

2. Supplemental information accompanying basic financial statements (AU 551) (check applicable):

- ☐ Include "in relation to" opinion.
- ☐ Disclaim opinion on unaudited information.
- ☐ Prior year information audited by AOS and type of opinion(s) rendered:
- |                               |   |   |   |   |
|-------------------------------|---|---|---|---|
| <input type="checkbox"/> 2000 | U | Q | D | A |
| <input type="checkbox"/> 2001 | U | Q | D | A |
| <input type="checkbox"/> 2002 | U | Q | D | A |
- ☐ Prior year information audited by other auditors and type of opinion(s) rendered:
- |                               |   |   |   |   |
|-------------------------------|---|---|---|---|
| <input type="checkbox"/> 2000 | U | Q | D | A |
| <input type="checkbox"/> 2001 | U | Q | D | A |
| <input type="checkbox"/> 2002 | U | Q | D | A |

**June 30, 2004**

## **OPINION, DISCLOSURE AND OTHER REPORT INFORMATION**

[illegible]

**HOSPITAL** \_\_\_\_\_

**June 30, 2004**

**OPINION, DISCLOSURE AND  
OTHER REPORT INFORMATION**

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**HOSPITAL** \_\_\_\_\_**June 30, 2004****OPINION, DISCLOSURE AND  
OTHER REPORT INFORMATION**

Y = Yes  
 N = No  
 N/A = Not Applicable

**C. IAR on Compliance and on Internal Control Over Financial Reporting:**

1. Instances of material non-compliance	<u>Y</u> <u>N</u>	<u>GF-12s</u>
2. Instances of non-material non-compliance	<u>Y</u> <u>N</u>	<u>GF-12s</u>
3. No instances of non-compliance	<u>Y</u> <u>N</u>	<u>GF-12s</u>
4. Reportable Conditions	<u>Y</u> <u>N</u>	<u>GF-12s</u>
5. Material Weaknesses	<u>Y</u> <u>N</u>	<u>GF-12s</u>
6. Follow-up of prior year comments:		
a. Compliance		Repeat Some/All Resolved/N/A
b. Internal control		Repeat Some/All Resolved/N/A

**D. IAR on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance:**

1. Instances of non-compliance	See next page	
2. Reportable Conditions	<u>Y</u> <u>N</u>	<u>GF-12s</u>
3. Material Weaknesses	<u>Y</u> <u>N</u>	<u>GF-12s</u>
4. Follow-up of prior year comments:		
a. Compliance		Repeat Some/All Resolved/N/A
b. Internal control		Repeat Some/All Resolved/N/A

E. Because this audit is being conducted under Chapter 11 of the Code of Iowa, Government Auditing Standards and OMB Circular A-133, users of the report are presumed to be aware of the conditions under which the report is issued, including the requirement of state law that requires the report to be open to the public.

F. Dollar threshold used to distinguish between Type A and Type B programs \$\_\_\_\_\_ GF-1s

G. Hospital qualified as low-risk auditee Y N GF-1s

**HOSPITAL****June 30, 2004****OPINION, DISCLOSURE AND  
OTHER REPORT INFORMATION**  
**(Supplemental Page)**

	Major Program (CFDA #):					Major Program (CFDA #):				
	Require- ment Tested	Findings reported in Part III of SFQC	Type of finding reported in Part III	Material Weakness	Type of Opinion	Require- ment Tested	Findings reported in Part III of SFQC	Type of finding reported in Part III	Material Weakness	Type of Opinion
Common requirements (GF-9s):										
Activities Allowed or Unallowed	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC,QC,RC,NONE</u>	<u>Y N/A</u>	<u>U,Q,D,A</u>	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC,QC,RC,NONE</u>	<u>Y N/A</u>	<u>U,Q,D,A</u>
Allowable Costs/Cost Principles	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC,QC,RC,NONE</u>	<u>Y N/A</u>	<u>U,Q,D,A</u>	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC,QC,RC,NONE</u>	<u>Y N/A</u>	<u>U,Q,D,A</u>
Cash Management	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC,QC,RC,NONE</u>	<u>Y N/A</u>	<u>U,Q,D,A</u>	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC,QC,RC,NONE</u>	<u>Y N/A</u>	<u>U,Q,D,A</u>
Davis-Bacon Act	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC,QC,RC,NONE</u>	<u>Y N/A</u>	<u>U,Q,D,A</u>	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC,QC,RC,NONE</u>	<u>Y N/A</u>	<u>U,Q,D,A</u>
Eligibility	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC,QC,RC,NONE</u>	<u>Y N/A</u>	<u>U,Q,D,A</u>	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC,QC,RC,NONE</u>	<u>Y N/A</u>	<u>U,Q,D,A</u>
Equipment and Real Property	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC,QC,RC,NONE</u>	<u>Y N/A</u>	<u>U,Q,D,A</u>	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC,QC,RC,NONE</u>	<u>Y N/A</u>	<u>U,Q,D,A</u>
Matching, Level of Effort, Earmarking	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC,QC,RC,NONE</u>	<u>Y N/A</u>	<u>U,Q,D,A</u>	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC,QC,RC,NONE</u>	<u>Y N/A</u>	<u>U,Q,D,A</u>
Period of Availability of Federal Funds	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC,QC,RC,NONE</u>	<u>Y N/A</u>	<u>U,Q,D,A</u>	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC,QC,RC,NONE</u>	<u>Y N/A</u>	<u>U,Q,D,A</u>
Procurement, Suspension and Debarment	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC,QC,RC,NONE</u>	<u>Y N/A</u>	<u>U,Q,D,A</u>	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC,QC,RC,NONE</u>	<u>Y N/A</u>	<u>U,Q,D,A</u>
Program Income	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC,QC,RC,NONE</u>	<u>Y N/A</u>	<u>U,Q,D,A</u>	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC,QC,RC,NONE</u>	<u>Y N/A</u>	<u>U,Q,D,A</u>
Real Property Acquisition and Relocation Assistance	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC,QC,RC,NONE</u>	<u>Y N/A</u>	<u>U,Q,D,A</u>	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC,QC,RC,NONE</u>	<u>Y N/A</u>	<u>U,Q,D,A</u>
Reporting	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC,QC,RC,NONE</u>	<u>Y N/A</u>	<u>U,Q,D,A</u>	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC,QC,RC,NONE</u>	<u>Y N/A</u>	<u>U,Q,D,A</u>
Subrecipient Monitoring	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC,QC,RC,NONE</u>	<u>Y N/A</u>	<u>U,Q,D,A</u>	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC,QC,RC,NONE</u>	<u>Y N/A</u>	<u>U,Q,D,A</u>
Special Tests and Provisions	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC,QC,RC,NONE</u>	<u>Y N/A</u>	<u>U,Q,D,A</u>	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC,QC,RC,NONE</u>	<u>Y N/A</u>	<u>U,Q,D,A</u>

U = Unqualified    MNC = Material noncompliance  
Q = Qualified      QC = Questioned Cost > \$10,000  
D = Disclaimer    RC = Reportable Condition

Y = Yes  
N/A = Not applicable

NONE = None required to be reported

**HOSPITAL****June 30, 2004****OPINION, DISCLOSURE AND  
OTHER REPORT INFORMATION**  
**(Supplemental Page)**

Major Program (CFDA #):						Major Program (CFDA #):					
Requirement Tested	Findings reported in Part III of SFQC	Type of finding reported in Part III	Material Weakness	Type of Opinion		Requirement Tested	Findings reported in Part III of SFQC	Type of finding reported in Part III	Material Weakness	Type of Opinion	
Common requirements (GF-9s):											
Activities Allowed or Unallowed	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, RC, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, RC, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>	
Allowable Costs/Cost Principles	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, RC, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, RC, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>	
Cash Management	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, RC, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, RC, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>	
Davis-Bacon Act	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, RC, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, RC, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>	
Eligibility	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, RC, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, RC, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>	
Equipment and Real Property Matching, Level of Effort, Earmarking	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, RC, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, RC, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>	
Period of Availability of Federal Funds	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, RC, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, RC, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>	
Procurement, Suspension and Debarment	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, RC, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, RC, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>	
Program Income	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, RC, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, RC, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>	
Real Property Acquisition and Relocation Assistance	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, RC, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, RC, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>	
Reporting	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, RC, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, RC, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>	
Subrecipient Monitoring	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, RC, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, RC, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>	
Special Tests and Provisions	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, RC, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>	<u>Y N/A</u>	<u>Y N/A</u>	<u>MNC, QC, RC, NONE</u>	<u>Y N/A</u>	<u>U, Q, D, A</u>	

U = Unqualified  
Q = Qualified  
D = Disclaimer  
A = Adverse

MNC = Material noncompliance  
QC = Questioned Cost > \$10,000  
RC = Reportable Condition

Y = Yes  
N/A = Not applicable

NONE = None required to be reported

**HOSPITAL** \_\_\_\_\_**June 30, 2004**

**OPINION, DISCLOSURE**  
**AND OTHER REPORT INFORMATION**  
**SINGLE AUDIT**

**REPORTING PACKAGES** – The following entities are required to receive a copy of the Hospital's reporting package:

- 1) Federal Clearinghouse
- 2) Additional copies to the Federal Clearinghouse for each federal agency that provided **direct** funding when:
  - The Schedule of Findings and Questioned Costs disclose audit findings related to federal awards that the federal agency provided directly and/or,
  - The Summary Schedule of Prior Audit Findings reported the status of any audit findings related to federal awards that the federal agency provided directly.

List appropriate agencies, if any:


- 3) Grantor pass-through entities when:
  - The Schedule of Findings and Questioned Costs disclosed audit findings related to federal awards that the pass-through entity provided and/or,
  - The Summary Schedule of Prior Audit Findings reported the status of any audit findings related to federal awards that the pass-through entity provided directly.

List appropriate agencies and their addresses, if any:


**HOSPITAL** \_\_\_\_\_**June 30, 2004****OPINION, DISCLOSURE AND  
OTHER REPORT INFORMATION**  
**SINGLE AUDIT****NOTIFICATION LETTERS** – The following entities are required to receive an audit notification:

All pass-through entities not required to receive a copy of the reporting package (see previous page).

**Circle** applicable agencies:Iowa Dept of Public Safety  
Wallace State Office Building  
LOCALGovernor's Office on Drug Control Policy  
Ola Babcock Miller Building  
1112 East Grand Avenue, 2<sup>nd</sup> floor  
Des Moines, Iowa 50319Iowa Dept of Human Services  
Division of Fiscal Management  
1<sup>st</sup> Floor  
Hoover State Office Building  
LOCALIowa Dept of Education  
Grimes State Office Building  
LOCALIowa Dept of Public Health  
Lucas State Office Building  
LOCALIowa Dept of Natural Resources  
Wallace Building  
LOCALIowa Dept of Elder Affairs  
Clemens Building  
LOCALIowa Dept of Economic Development  
200 East Grand  
Des Moines, Iowa 50309Iowa Dept of Transportation  
Attn. Don Breniman  
800 Lincoln Way  
Ames, IA 50010Iowa Dept of Public Defense  
Emergency Management Division  
Hoover Building  
LOCAL

List other agencies and their addresses:

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**June 30, 2004**

### CONFIRMATION CONTROL

[illegible]

**June 30, 2004**

**WORKPAPER COPIES GIVEN**  
**TO CLIENT AND**  
**OUTSIDE PARTIES**

[illegible]

**June 30, 2004**

## PENDING MATTERS

[illegible]



**June 30, 2004**

## REVIEW NOTES

[illegible]

**HOSPITAL** \_\_\_\_\_

**June 30, 2004**

**REVIEW NOTES**

**HOSPITAL****June 30, 2002****INCHARGE REVIEW QUESTIONNAIRE**

<b>Question</b>	<b>YES</b>	<b>NO</b>	<b>N/A</b>
1. Was the scope of our audit in accordance with our audit plan?			
2. Have you informed the Manager of all identified problems and internal control weaknesses that resulted in significant modification in the audit program, and have you obtained the manager's concurrence with the modifications?			
3. Have you gathered enough evidence to satisfy the audit program requirements?			
4. Are you satisfied that the evidence gathered does not disclose suspicions of fraud, violations of statutory, regulatory and contractual provisions, or other illegal acts other than those noted in the statutory comments of the report?			
5. Are you satisfied that we have a reasonable basis for the expression of an opinion on each opinion unit and that the workpaper documentation supports the opinions we are expressing on the financial statements?			
6. Are you satisfied with the results of the limited procedures performed for required supplementary information (RSI), including management's discussion and analysis (MD&A) and other supplementary information?			
7. Are you satisfied there is not substantial doubt about the Hospital's ability to continue as a going concern, or if there is substantial doubt, the appropriate disclosures were made and an explanatory paragraph was included in the Independent Auditor's Report.			
8. Are you satisfied that we have a reasonable basis for and the workpapers support our statement in the Independent Auditor's Report on Compliance for instances of non-compliance required to be reported under <u>Government Auditing Standards</u> ?			
9. Are you satisfied that we have a reasonable basis for expressing an opinion on the Hospital's compliance with the listed requirements applicable to major Federal programs?			
10. Are you satisfied that we have obtained an adequate understanding of the design of internal controls, determined whether these controls have been placed in operation, and assessed control risk?			
11. Are you satisfied that we have reduced the detection risk to a reasonable level?			
12. Have all applicable items on the audit planning, questionnaires and audit program been completed and workpapers properly indexed and signed or initialed by those doing the work?			
13. Have all significant unusual or unexpected balances or relationships noted during planning or the course of the audit been adequately investigated and documented?			
14. Has the work of all assistants been thoroughly reviewed?			
15. Are you satisfied that the planned level of risk of material misstatement due to fraud did not increase based on the accumulated results of the audit procedures performed during fieldwork?			
16. Have review notes been adequately resolved?			
17. Has there been appropriate communication with the other audit team members throughout the audit regarding information or conditions indicative of risk of material misstatement due to fraud? (AU 316.74)			

## INCHARGE REVIEW QUESTIONNAIRE

Question	YES	NO	N/A
18. Have you discussed with the client and prepared draft comments or memoranda regarding communication of the following to the client:			
a. Management suggestions?			
b. All reportable conditions and material weaknesses in internal control that we observed?			
c. All immaterial items noted during our audit?			
d. Non-compliance with any statutory, regulatory or contractual requirements?			
e. Auditor's Reports on financial statements, compliance and internal control?			
19. Has the audit report routing sheet:			
a. Been completed and signed off?			
b. Been completed for the report distribution section, including addresses for non-client report recipients?			
20. Has the news release draft been completed?			
21. Has a list been prepared of all significant pending matters which must be cleared before issuing the report?			
22. Has the Manager been informed of all pending matters?			
23. Have required engagement evaluation reports been completed by the appropriate person(s)?			
24. Are you satisfied that all audit work complied with professional standards and office policies?			
COMMENTS (required for "No" answers):			
Incharge _____ Date _____			
Manager _____ Date _____			
Independent Reviewer _____ Date _____			

**HOSPITAL** \_\_\_\_\_**June 30, 2004****MANAGER REVIEW QUESTIONNAIRE**

Question	YES	NO	N/A
A. <u>GENERAL</u>			
1. Have you reviewed the workpapers and do you concur with the conclusions of the incharge?			
2. Have all exceptions noted on the Incharge Review Questionnaire been resolved?			
3. Are you satisfied that:			
a. the audit program was properly modified for identified problems and internal control weaknesses?			
b. required supplementary information if applicable. has been obtained and limited testing procedures have been performed?			
c. the judgments and conclusions reached are supported by documented evidence?			
d. appropriate changes for the next examination, if any, have been summarized?			
e. all audit work conformed to the audit plan, scope and objectives?			
f. all significant unusual or unexpected balances or relationships noted during planning or the course of the audit have been adequately investigated and documented?			
4. Do the workpapers include adequate documentation as to:			
a. changes in accounting policies?			
b. conformity with U.S. generally accepted accounting principles or another comprehensive basis of accounting, if appropriate?			
c. conformity with U.S. generally accepted auditing standards?			
d. conformity with statutory, regulatory and contractual provisions?			
e. adequacy of disclosure?			
f. compliance with office policies?			
5. Have applicable questionnaires been completed?			
6. Have all applicable procedures been performed and signed off?			
7. Have all review comments been cleared with adequate documentation of disposition?			
8. Have required performance evaluations been completed?			
B. <u>FINANCIAL STATEMENTS AND AUDIT REPORT</u>			
1. Are the financial statements adequately referenced to footnote disclosures?			
2. Are the dates covered by financial statements correct?			
3. Are all material facts disclosed which are necessary to make the financial statements not misleading?			
4. Have all material and/or extraordinary subsequent events been evaluated and properly disclosed?			

**HOSPITAL** \_\_\_\_\_**June 30, 2004****MANAGER REVIEW QUESTIONNAIRE**

<b>Question</b>	<b>YES</b>	<b>NO</b>	<b>N/A</b>
5. Is there adequate documentation in the workpapers to support the footnotes?			
6. Do the footnotes clearly explain the facts?			
7. Is the nature of each financial statement clearly indicated by its title?			
8. Do the financial statements maintain a uniform manner of format, capitalization, headings and appearance in general within itself?			
9. Is our audit report addressed to the proper party?			
10. Does our opinion on each opinion unit properly state the responsibility we wish to assume?			
11. Has adequate audit work been performed to support the opinion on the financial statements that we are rendering?			
12. Is the report dated as of the last day of fieldwork?			
13. Is any data in the footnotes that requires special mention, with respect to the date of our report, appropriately reflected in the date of our report?			
14. Is our opinion on the supplemental financial information proper and supported by our audit?			
15. Are disclosures in each opinion unit, financial statements, and notes to financial statements adequate and do they clearly communicate the facts?			
16. Have you performed final analytical procedures including a comparison of the financial statements to the prior year?			
17. Are you satisfied that the audit did not disclose any suspicions of irregularities, violations of statutory, regulatory and contractual provisions or other illegal acts other than those noted in the statutory comments of the report?			
18. Have the following been discussed with appropriate client officials and arrangements been made to get responses, if appropriate:			
a. Management suggestions?			
b. All reportable conditions and material weaknesses in internal control that we observed?			
c. All immaterial items?			
d. Non-compliance with any statutory, regulatory or contractual requirements?			
e. Auditor's Report?			
C. <u>Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting:</u>			
1. Has adequate work been performed to support our statement on instances of non-compliance required to be reported under <u>Government Auditing Standards</u> ?			
2. Have appropriate exceptions been noted for items of non-compliance?			
3. Has adequate audit work been performed to support:			

### MANAGER REVIEW QUESTIONNAIRE

Question	YES	NO	N/A
<p>a. Our understanding of internal controls?</p> <p>b. The determination of whether these controls have been placed in operation?</p> <p>c. Our assessment of control risk?</p> <p>4. Have all reportable conditions and material weaknesses been disclosed?</p> <p>D. <u>Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance:</u></p> <p>1. Has adequate audit work been performed to support the opinion we are giving on compliance with common requirements applicable to major federal programs?</p> <p>2. Have appropriate exceptions been noted for items of non-compliance?</p> <p>3. Has adequate audit work been performed to support:</p> <p>a. Our understanding of internal controls?</p> <p>b. The determination of whether these controls have been placed in operation?</p> <p>c. Our assessment of control risk?</p> <p>E. <u>REPORT PRODUCTION</u></p> <p>1. Has the report routing sheet been completed?</p> <p>2. Does the draft audit report comply with professional and office reporting standards?</p> <p><u>COMMENTS</u> (required for "No" answers):</p>			
<p>Manager_____ Date _____</p> <p>Independent</p>			

**HOSPITAL** \_\_\_\_\_**June 30, 2004****INDEPENDENT REVIEWER QUESTIONNAIRE**

<b>Question</b>	<b>YES</b>	<b>NO</b>	<b>N/A</b>
1. Is the audit evidence and documentation for all significant unusual or unexpected balances or relationships noted during planning or the course of the audit adequate?			
2. Have you reviewed the audit conclusions on all material items in the financial statements?			
3. Have all review notes been adequately resolved?			
4. Have you reviewed and do you concur with the Incharge Review Questionnaire?			
5. Have you reviewed and do you concur with the Manager Review Questionnaire?			
6. Based on your review, are the financial statements fairly presented?			
7. For any significant unusual or unexpected balances or relationships noted in your review of the audit report that were not previously identified, has adequate audit evidence and documentation been obtained?			
8. Do the financial statements, supplemental information and the comments and recommendations appear to be materially correct?			
9. Is the required supplementary information (RSI) included, if applicable, and has it been evaluated for reasonableness?			
10. Is the auditors' report on financial statements appropriate, based on our audit and the financial statement presentation?			
11. Is the auditor's report on compliance and on internal control over financial reporting appropriate, based on our audit?			
12. Is the auditor's report on compliance with requirements applicable to each major program and internal control over compliance appropriate, based on our audit?			
13. Does the draft audit report comply with professional and office reporting standards?			
<u>COMMENTS</u> (required for "No" answers):			
Independent Reviewer _____ Date _____			